

# Nation's Business

USEFUL LOOK AHEAD

FEBRUARY 1965

## How three Americans are using **ULTIMATE WEAPON IN WAR ON POVERTY**

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Five-way push on wage costs coming PAGE 31

World business: Today's best customers PAGE 62

What you can learn about yourself PAGE 40

Suburban renewal: Subsidy on the rise PAGE 42

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**Western Electric**

Manufacturing & Supply Unit of the Bell System

# Nation's Business

February 1965 Vol. 53 No. 2

Published by the Chamber of Commerce of the United States  
Washington, D.C.

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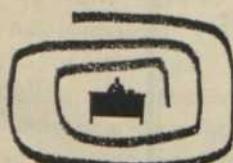
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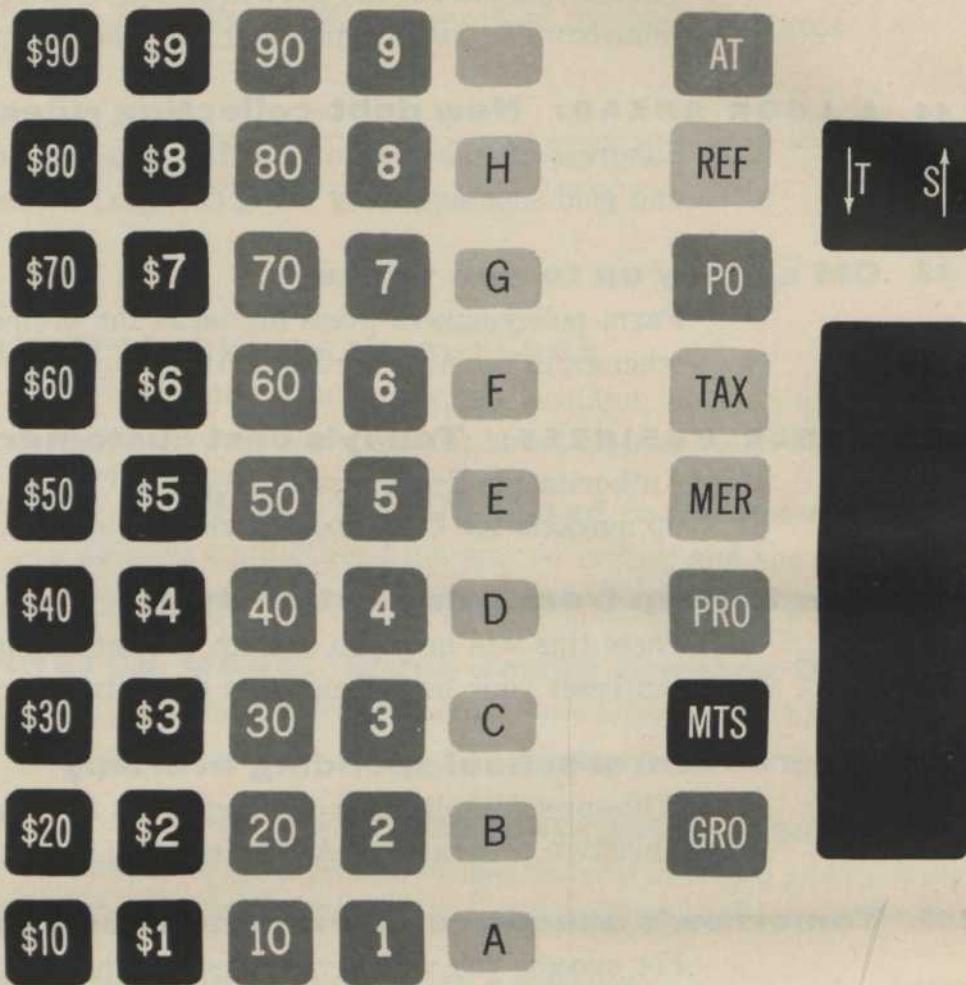
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All day  
conference with  
Fred

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# WASHINGTON BUSINESS OUTLOOK

**On Capitol Hill**, with new Congress one month old, these pocketbook issues take shape for coming months:

Government pay may be boosted again, third raise since '62. Strong pressure to get this through soon. You'd feel effects.

Military pay raise may be set aside until next year.

Pensions will be increased.

Compulsory tax for health care gets strongest pressure yet.

Excise taxes will be cut but action is months away, not weeks. Decision before July.

**Wage-fixing law may be changed**, broadening federal coverage to include new industries despite opposition.

Legal minimum pay won't be lifted to \$2 an hour as union lobbyists demand. But unions step up pressure on House of Representatives. Pay's \$1.25 now. Congress may boost to \$1.50 an hour.

**Double pay for overtime** after 35-hour workweek won't pass but there's chance for compromise. Could be double pay for work time after 40 hours.

No early decision. Issue is too controversial, proponents lack widespread support.

Attack on federal law guaranteeing states right to outlaw compulsory unionism is being stepped up. Outright repeal improbable.

Pressure will rise for passage of federal unemployment pay regulations as jobless number rises later this year. Pay period for jobless workers may be extended and federal rules set for all states. Proposal for more extensive changes in unemployment pay system will be shelved for now.

**Huge federal debt will soar again** after declining a little during spring, early summer.

Total is sure to exceed \$325 billion before

this year ends. Congress will okay higher debt ceiling.

Federal education spending was doubled last year. Administration now wants another doubling. Outcome uncertain, issue tangled with many controversies. Some new proposals will be ignored but total spending will rise.

Subsidies for cities, urban renewal, housing will come up soon for committee discussion. First public hearings expected to start by end of next month.

**Defense spending** will be hard to hold down as President proposes.

Congressional mood indicates appropriations are more likely to rise than fall.

**Most major actions** of new Congress are unlikely soon, will come months from now.

Few top proposals are expected to get through legislative machinery without plenty of public airing.

This is not to say Congress will drag its feet. It won't. This could end up as one of the briefer sessions of recent years, meaning first session could end far earlier than either session of past Congress.

But legislative strategy calls for getting "facts" before voting public. And that means plenty of public hearings.

**Many new men on committees** balk at hasty action on complicated issues.

That's another reason for airing issues before big new spending plans are launched.

All together, Congress has 135 members newly assigned to committees.

Senate has 20.

House of Representatives has 115 serving on 21 committees for first time, several new chairmanships.

House Appropriations Committee is one with large number of new members. Group handles

all government spending, authorizations for future spending programs.

Armed Services Committee is another with several new members, much technical legislation to handle.

Ways and Means Committee, with new membership alignment, deals with social security pensions, controversial medical care proposal, all taxes, including proposed excise tax reduction, tariffs, other complex issues.

**States face new wage pressures** if federal workers get higher pay.

For one thing, most U.S. employees don't work in Washington.

California is example. Uncle Sam has more payroll there than in District of Columbia.

And federal workers in California outnumber state government employees by sizable margin.

Same's true in approximately 30 states.

In some states, federal workers outnumber state employees as much as two to one.

So federal pay trends force states to boost scales as well—or risk losing personnel to bigger bidder.

All together, governments in U.S.—state, local, federal—employ approximately 9.6 million people.

Number probably will rise above 10 million before year ends.

**Government spending** increases make it nip and tuck whether Uncle Sam will spend more this year for goods and services than state, local governments.

For many years federal government has led handily in these outlays. But state, city, county governments run fast race.

Now appears likely they'll inch ahead—but only by a whisker and not for long.

Looking further ahead, Uncle seems sure to gain lead again after a few months.

Federal buying and payrolls alone assure rise in cost of government between now and next Christmas.

Welfare programs, subsidies, debt interest, pensions, all spending programs at all levels of government will rise at least \$7 billion during year ahead.

**There's expectation on Capitol Hill** that higher federal pay will go through Congress in time for July pay checks.

Why July?

Government officials tie new proposal to business trends they fear might develop during summer, autumn or next winter.

Higher government pay, they believe, would partially offset any possible future slow-up in business activity, help keep boom going.

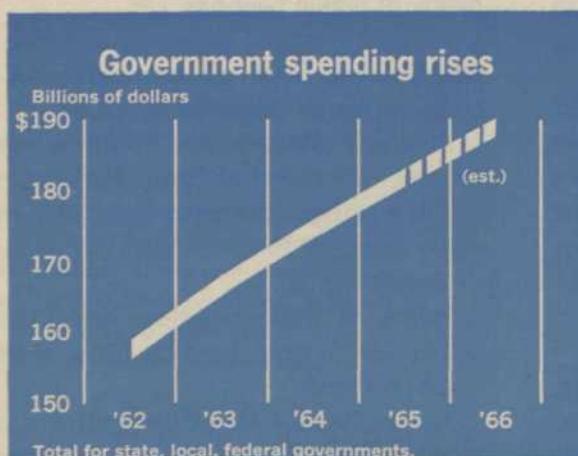
**Here's way to gauge** new pay plan: Raise in '62 lifted government employees by 9.6 per cent, postal workers by 11.2 per cent in two steps.

Another raise last year increased federal pay 4.3 per cent, with 5.6 per cent increase for post office workers.

This year?

Probably around four per cent.

Last year's raise included top government



# WASHINGTON BUSINESS OUTLOOK

officials, members of Congress. Next action bypasses them.

**Watch for Congress to raise** social security pensions in legislation separate from compulsory health tax.

Administration wants bigger pensions to go into mail starting in July. Same reason for wanting bigger government pay checks to start then—to put extra money in consumers' hands, help keep economy growing.

That's prime Administration objective.

But there's another reason for wanting to vote separately on pensions. Medical care plan faces tough sledding, despite all the publicity about new unity.

Meanwhile, watch for congressional subcommittee to start looking into hospital service charges.

**Corporation taxes go up** and down this year—both ways at same time.

Background:

Top tax rate on corporation earnings went down two percentage points last year. New rates apply to final tax accounting on '64 earnings.

Another two points come off this year—tax due on '65 taxable income.

This means total corporation taxes will be some \$2 billion lower than they would have been at old rates.

But remember: Tax payments to Internal Revenue Service were speeded up by same action that brought lower rates. This applies to larger companies, those with \$100,000 or more taxable profit.

It's regarded as good estimate that corporations will owe government roughly \$2 billion more than if there had been no speedup provision in last year's legislation.

If that proves so during year ahead, it means higher payments cancel rate reduction benefits

—at least until after 1969 when payments will go on current basis.

Until then, larger companies will owe Uncle Sam 110 per cent of annual tax bill each year. Starting in 1970, big firms will owe a fourth of each year's federal taxes every three months as income is earned.

Note: If your company earns less than \$25,000 taxable profit, your federal tax rates won't change. Two percentage points coming off this year apply only to companies with earnings above \$25,000.

**Major issues in Congress** will be discussed at day-long meetings in 15 cities coast to coast this month and next.

Leadership Forum discussions, conducted by Chamber of Commerce of the United States, will feature briefings on major economic, national issues involving government and business.

Your questions about proposals for legislation will be answered by top company executives, Chamber of Commerce officials, specialists from Washington.

More than 100,000 businessmen and women are expected to attend.

To help you with your plans, here's when-and-where meeting list for February:

Cincinnati on eighth; Lansing, Mich., on ninth; Milwaukee on tenth; Sioux Falls, S. D., on eleventh; St. Louis on Feb. 12.

March meetings will be held at:

Philadelphia on first; Hartford, Conn., on second; Richmond, Va., on third; Atlanta on fourth; New Orleans on March 5.

Tulsa on eighth; Denver on ninth; San Diego on tenth; San Francisco on eleventh and Seattle, Wash., on March 12.

For additional details, write Leadership Forums, Chamber of Commerce of the United States, at 1615 H St., N. W., Washington, D. C. 20006.

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## Business opinion:

# Men, not courts, make decisions

THE ARTICLE "Robert Moses Warns Against 'Mob Rule'" [December] recommending a change in the Constitution to limit the powers of the Supreme Court over reapportionment is an excellent analysis of the problem.

It demonstrates clearly that the decision of the Supreme Court to assume jurisdiction over the political problem of how the states shall apportion their legislatures is a gross usurpation of power which the United States Constitution does not give to the Court.

The remedy which he proposes, a constitutional amendment limiting the Court's power, is the wrong remedy. There is nothing wrong with the Supreme Court as an institution. It is the individual men who compose the Court who are the source of the present trouble.

As Mr. Moses points out, the making of a few different appointments would have resulted in the Court's decision being contrary to what it now is.

RICHARD C. OLDHAM  
Attorney  
Louisville, Ky.

### **Business moving forward**

Received the January NATION'S BUSINESS today. Read most of it same day. It really does give you a useful look ahead.

Our company has been in a stage of transition since September of last year. Business is going forward. The article by Louis A. Allen "How to Run a Growing Company," is just the right approach. It will be of inestimable value at a later stage in the development of the company.

LEON J. PODLES  
Poodles Enterprises  
Baltimore, Md.

### **966,293 reports scrapped**

"Washington Business Outlook" [December] says: "Little relief in sight for the federal paperwork burden on business."

I am not criticizing, but there is relief in sight. The Department of

Interior, Department of Commerce, Federal Communications Commission and Department of Labor combined eliminated 966,293 yearly reports last year.

I think if the Federal Reports Act of 1942 were amended by the Eighty-ninth Congress to include all federal agencies now exempt, there would be fewer reports needed by the federal government from business and industry.

The local, state and federal governments would have more team coordination with agencies needing data from business.

VITO LA MAGNA  
Emigrant Industrial Savings Bank  
New York

### **Pension expert impresses**

Your interesting interview with Prof. Carl H. Fischer of the University of Michigan ["Federal Control Threatens Pension Plan Growth," November] is of substantial importance and, because of Dr. Fischer's stature, should carry great weight.

A. WARREN WOUGHTER  
Northwest Mutual Life Insurance Co.  
Detroit

### **Manpower planning helps**

I thoroughly enjoyed your significant interview in the December issue with Manpower Administrator John C. Donovan ["Better Skills Will Improve Job Outlook"].

It seems to me this is one problem to which we as a nation have not yet devoted nearly enough attention.

If we can forecast and plan for meeting business cycles, I am sure a lot more can be done in manpower planning, too.

MORIS T. HOVERSTEN  
Publisher, *Recruiting Trends*  
Chicago

### **Takes enterprise to grow**

In his article "Where America Gets Its Strength" [November], Assistant Secretary of State Thomas C. Mann makes the major assumption that political freedom leads to high rates of economic development.

Suppose a country has political and economic freedom, does this

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"OUR LETTERS and quotations may stay on a customer's desk for a month. That piece of paper has to keep working—for us. Often, it's our only contact."

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## Business opinion:

guarantee economic development? Certainly not. An enterprising spirit is needed whether a nation is free or not.

Is Mr. Mann acquainted with the recent psychological studies of Prof. David C. McClelland of Harvard University, which have indicated that nations rise and fall in step with their need for achievement drive? This relationship holds true for the communist countries as well as for the democratic countries.

Let's get to the solid foundation of economic development before we lose the race between communism and capitalism.

PAUL J. DUCLOS  
Real Estate Investments  
Washington, D.C.

## Mediators use article

May we make a few copies, for our internal use in the Federal Mediation and Conciliation Service, of your article, "Unions Make These New Demands" [June]? We want to make it available to our mediators.

NORMAN WALKER  
Public affairs officer  
Federal Mediation and Conciliation Service  
Washington, D.C.

## Biggest error yet

I would generally not bother to call a typographical error to the attention of an editor; however, in your article "From Now to 1980" [January] you made what is perhaps, the largest error in history when you printed \$1.16 billion instead of \$1.16 trillion.

It is easy to understand an error of this type since only a machine could really conceptualize and understand the scope of a trillion dollars. Do you realize, for example, that if you were to count at the rate of \$1 per second, 24 hours a day, it would take you almost 367,466 years to complete counting up the size of the error you made?

EDWARD L. McNULTY  
National Association  
of Frozen Food Packers  
Washington, D.C.

## Most softspoken

"Health Care Cost Figures Disputed" [January], an answer by Robert J. Myers, chief actuary of the Social Security Administration, to the article in your November issue "Federal Health Estimates—300% Wrong," was surely a most softspoken and accurate analysis.

R. C. MEILICKE  
Evanston, Ill.

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The 1965 Dodge Coronet says status, prestige, big car in every department except accounting. Whether you buy or lease, you'll want to drive one. Go to your Dodge dealer. Get a price. Take it to your Fairlane and Chevelle dealers. Then become a status seeker . . . just this once—you can hardly afford not to. Dodge comes on big for '65.

### '65 Dodge Coronet

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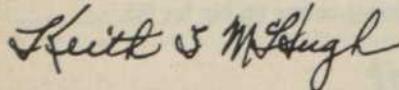
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IN NEW YORK STATE

## Executive Trends

- What's ahead for salesmen
- New protection: firing insurance
- Why some managers look worried

Few topics generate more animated discussion in business these days than the question of where selling and the salesman go from here.

Some experts speak of an impending revolution in marketing and sales methods. Comes the revolution, the argument goes, and the old ways of training, motivating and deploying your sales forces will be upended. Salesmen will have to be smarter, more broadly educated. And—in some industries—they may even have to free-lance out of pools of temporary sales manpower as more companies in seasonal markets reduce their full-time sales forces.

Other observers aren't at all convinced a revolution is coming. In fact, some think we're more apt to witness a return to the fundamentals of selling. New York sales training consultant Porter Henry is among those holding this view.

Beneath the speculation and sometimes conflicting predictions there's general agreement on at least one point: The salesman is here to stay. He may be displaced by vending machines in a few fields, but the nation's total demand for salesmen will continue to grow.

In the manufacturing and service sectors alone, according to one reliable estimate, more than 250,000 new salesmen will be needed in 1965.

You can buy insurance against just about anything. Soon you may be able to enjoy protection against firing, too.

At least one company is planning

to adopt a program under which its key people will be financially guarded against dismissal. The plan was devised by Sibson & Company, Inc., a New York consulting firm.

While details of the plan are rather complex, the essence is this: It channels an amount equal to two and one half per cent of the man's earnings each year into an irrevocable trust. Interest earned on these funds accrues to the individual. If and when the man is let go, the amount in his fund, including interest and reallocated amounts credited from accounts of employees who left voluntarily, is paid to him in a lump sum.

\* \* \*

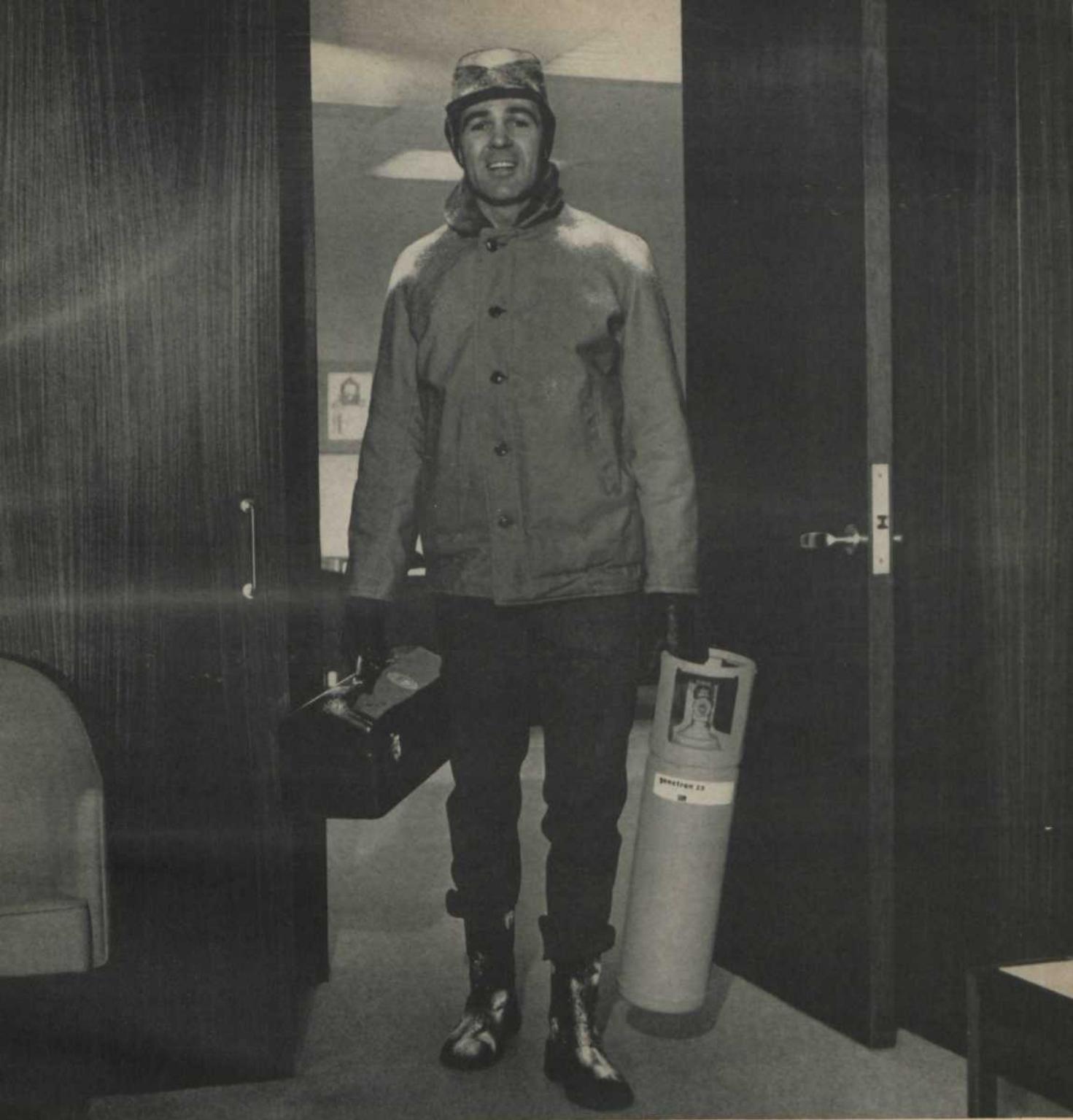
Are you worried because:

1. Some of your older managers have ceased to be productive but have been around so long it's hard to fire them?
2. Many of your employees have simply lost a zest for their work?

If you answered "Yes" to either of the above you have plenty of company.

Consultant Nathaniel Stewart of Washington says he's encountered these worries repeatedly in talks with businessmen. He believes there are constructive ways of dealing with them.

"The older man who is on dead center should, when possible, be moved aside to make room for a more energetic younger man," Dr. Stewart maintains. "You may be able to move him sideways to an assignment where he can serve as a



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As a leading supplier of the refrigerating gases that go into air conditioners, we're anxious to do everything we can to make you happier with your system . . . and with the people who take care of it.

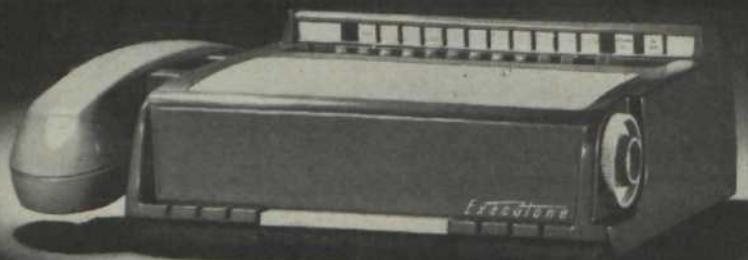
One way is by urging you to schedule your service man's visit while the thought of air conditioning is still ridiculous!

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kind of internal consultant, making good use of some particular knowledge he has acquired over the years. In some organizations, senior men are being used as specialists in selecting new plant sites, for example. Here they can be useful without blocking the lines of authority.

"Handling the unenthusiastic worker in the ranks requires some creative thinking about ways to build new satisfactions into an individual's job. This challenge is tough because the individuals involved often do not have the potential to be advanced but, at the same time, are doing work that cannot be replaced by automation."

One possible answer, says Dr. Stewart, is to broaden the scope of the individual's job by assigning additional duties he's competent to handle.

Another source of worry—and one for which there's no ready answer—is the plight of managers who feel their companies may be sold in the current trend of mergers.

• • •

You'll hear more about incentive—or bonus—plans in the months to come.

There's a good reason: More companies are adopting incentive programs as a means of spurring their executives to better performance.

Even in such fields as banking, where innovations in compensation once were hardly the vogue, interest in such plans is rising. Many banks are adopting the plans for the first time; and in a variety of industries where the plans already exist they're being carefully reappraised.

To find out more about the trend **NATION'S BUSINESS** talked with compensation specialist William F. Dinsmore, partner and head of the West Coast office of Edward N. Hay & Associates, management consultants.

He says many firms want plans which measure and reward managers in terms of their performance and contribution to profits. Flat year-end splits of a bonus pot appear to be on the way out, according to Mr. Dinsmore. "The participant must earn his share anew each year," he explains.

Consultant Dinsmore says that while the new plans require more effort to administer than a simple share-the-wealth split, "the gains in profits, efficiency and growth are

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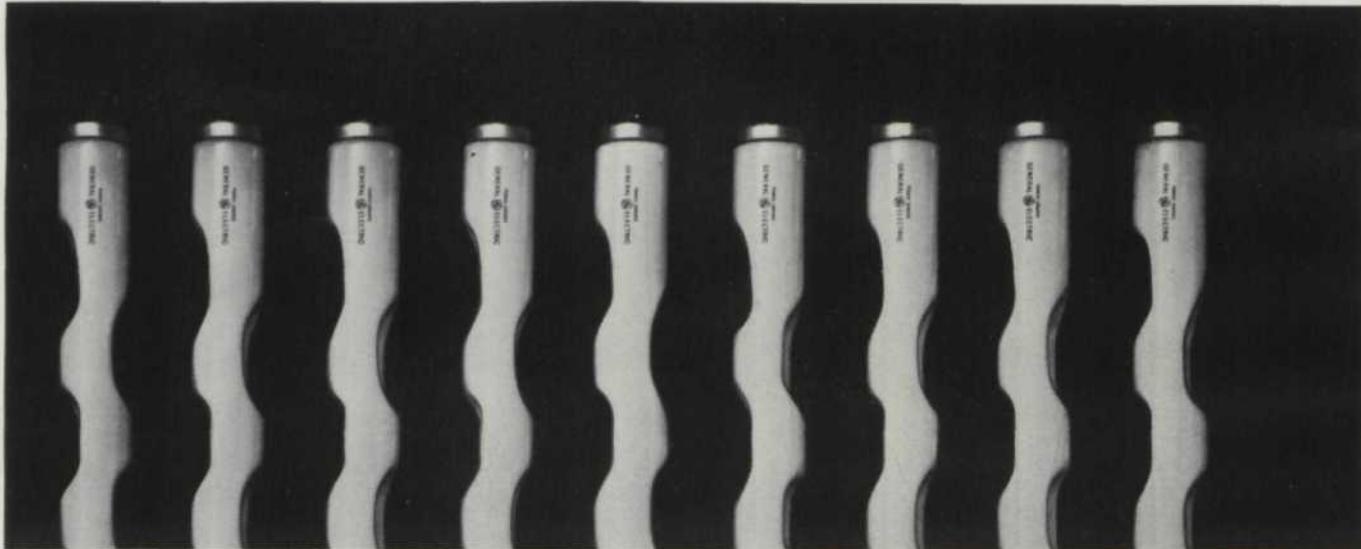
And we've set up a Customer Acceptance Laboratory that makes certain we're certain. Your product gets wrapped in our cellophane. And in competitive films. Then it gets tested. And when we lose, we lose.

And you get the full report. That way all you can get is the best wrap for your product. Which is all anyone can ask for. And that way we figure we can get you to call on us. Ten times out of ten.

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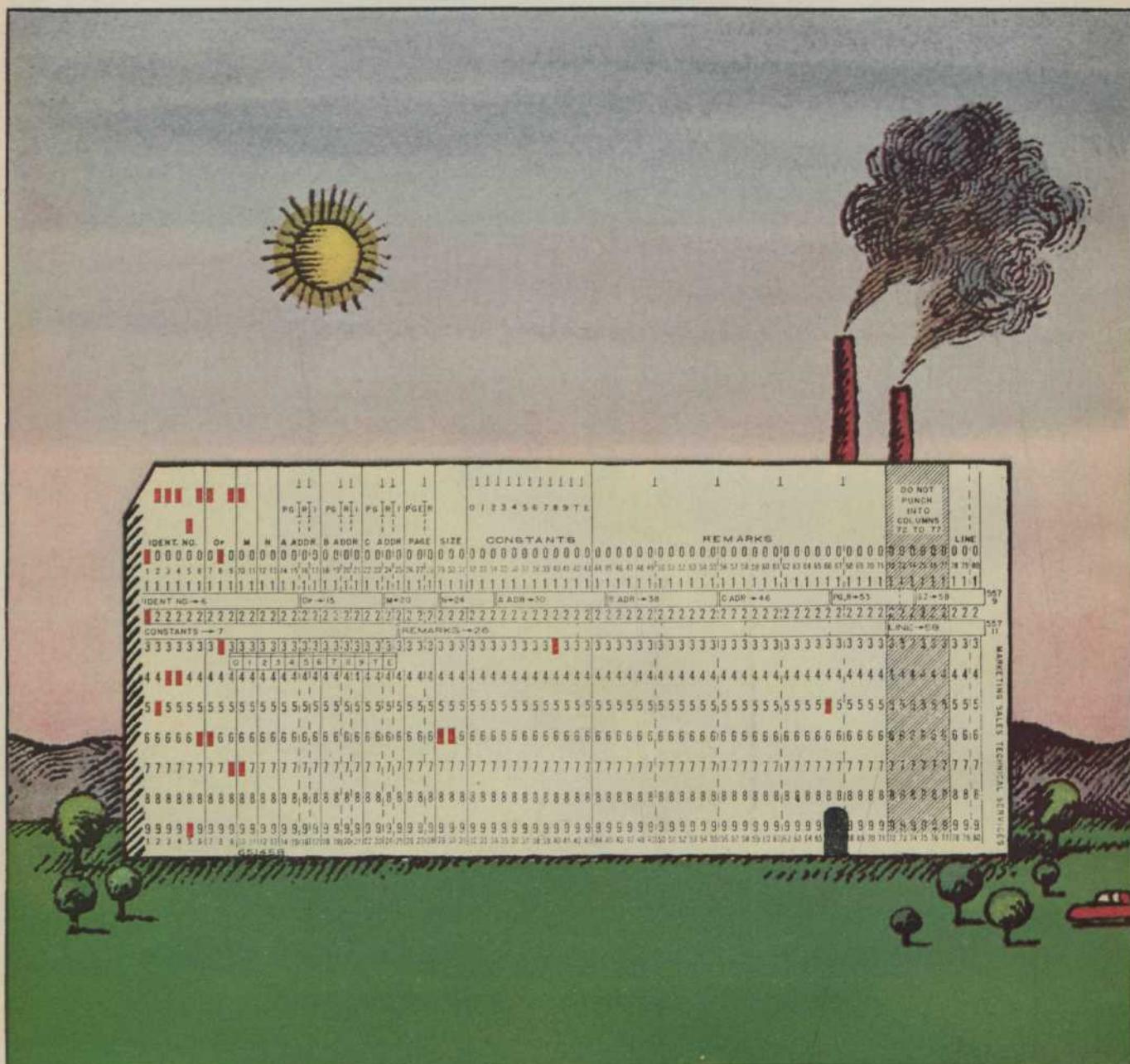
An example of this is the new plant and office of the Culligan Water Conditioning Company, Denver. Here,

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## EXECUTIVE TRENDS

continued

satisfying to those companies that use them."

Word of caution: Most compensation experts advise businessmen to build a fair and competitive base salary program before tacking on bonus plans.

You can put more zip into the productivity of office workers by adopting some of the same kinds of incentives you use in your plant.

Results of a new survey by the Administrative Management Society point to this conclusion. The survey was cosponsored by the University of Wisconsin's Center for Productivity Motivation.

AMS canvassed 648 companies, found only 17 of them are using office incentive plans keyed to piece work, time-saving or production, or other factory-type incentives. The few using such plans in their offices report good to excellent results.

The survey also discloses that, contrary to general belief, deferred payment profit-sharing plans in the office are more effective than cash profit-sharing plans.

If you have an avid interest in our nation's history you may want to buy a copy of "The Presidents of the United States of America," a recent publication of the White House Historical Association.

Handsomely illustrated, the 80-page volume presents biographical sketches of all 36 chief executives. Single cloth-bound copies may be obtained for \$1.25 per copy postpaid (\$2.75 for the deluxe edition) and paperback editions are being sold through the mail for 75 cents. Requests should be addressed to White House Historical Association, Federal Bar Building, Room 1121, 1815 H Street N. W., Washington, D. C. 20006.

Item: Perceptive readers will note that a copy of NATION'S BUSINESS is visible on desk of President Johnson in his formal portrait.

It might not be much consolation, but here is what a world-renowned management expert advises you to do when your boss throws a temper tantrum.

"Just sit there till it's over," says Dr. Lillian M. Gilbreth. "When it's over, the serenity is wonderful. It's really a blessing. It's simple then to move in quickly to get what you want from him."

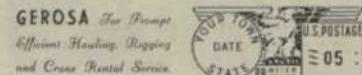
Nonbelievers please note: We didn't say it. Dr. Gilbreth did.

Arthur Micheli, Dispatcher, Gerosa Haulage & Warehouse Corp., Bronx, N. Y.



## Why Gerosa Haulage & Warehouse Corp. uses a postage meter for \$40 postage a month—

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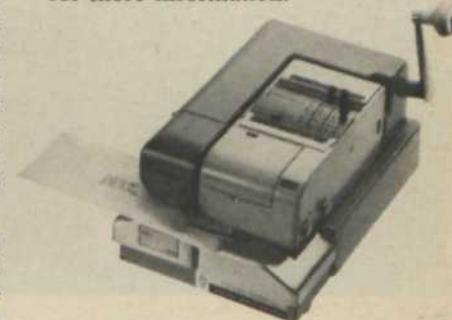
"This is no place for adhesive stamps," said Leonard Longo, office manager. "Too many people in and out. Too many people mailing things. We were glad to get our little Pitney-Bowes 5500 for its convenience. While our postage expense is only \$40 a month, the meter has any stamp denomination we need. And gives us control of our postage—we know how it is being used."

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## You can be humble when you're Number One

BY PETER LISAGOR

TWO OF PRESIDENT JOHNSON's favorite quotations come from two men who had considerable influence upon his life—his father and his old friend and counselor, the late Speaker Sam Rayburn. Mr. Johnson fondly recalls that his father often told him that power should be used sparingly. "Mister Rayburn," as the President still calls his fellow Texan, used to say that the three most important words in the English language were: "Just a minute."

Those quotations come easily to the President's mind these days to illustrate, as he puts it to friends and associates, that he intends to exercise presidential power with frugality and that he does not intend to plunge with undue haste along new and uncharted paths despite the high-sounding goals he talks of publicly.

His supporters call this the course of the "prudent progressive," a term LBJ has used to describe his outlook and orientation. They say he recognizes what his father taught him in different words—that power spent is power dissipated. His critics, on the other hand, insist that the President's overwhelming electoral triumph was not a mandate to proceed with caution or timidity. They contend that the bulk of those who voted for him expect him to cut new furrows in the field of social legislation.

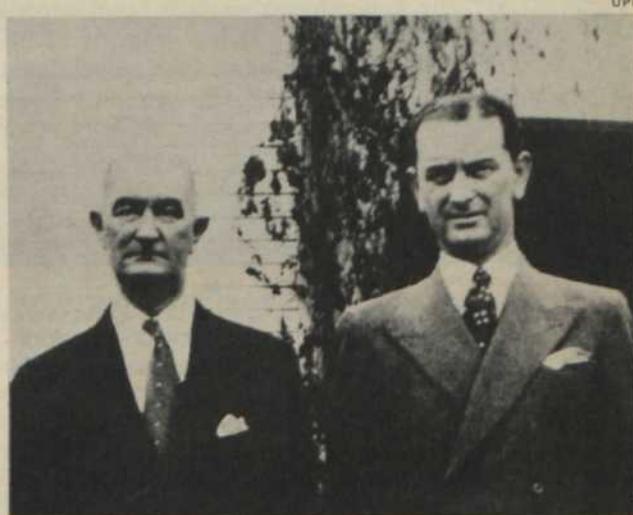
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Being a man of some surprises, hard to characterize or pigeonhole with any confidence, Mr. Johnson is just as likely to disappoint his supporters and please his critics as he is to do the reverse. He feels that he owes no debt, in the political sense, to any individuals or groups. Elected in his own right for a full four-year term, he has been relieved of any shackles or inhibitions that may have burdened him from the Kennedy years.

Although he seldom misses an opportunity to quote his father's injunction about power, the President appears unable to dispel the suspicion that he loves the

vast authority of the office. Nothing causes him to bristle quicker than the charge that he loves power for its own sake and would use it quite freely to achieve his ends. Perhaps he shouldn't be quite so sensitive on this score, because the great presidents have not shrunk from using the strength at their command when the occasion warranted.

Suffice it to say that Mr. Johnson is not awed by



President Johnson's guide for wielding the powers of his office are found in his father's words of long ago

power. If he doesn't plan to be profligate with it, he can be expected, at the very least, to do more than treat it with the jealous care of a Midas counting his gold.

In his present mood, he seems to reject the idea that a love-hate theme dominated the American electorate last fall. Instead, as he sees it, the people felt that he probably had handled the job in a difficult transition period with great dignity and a steady hand and therefore deserved a full crack at it. To those observers who think Mr. Johnson can only pretend self-effacement, this view might seem to be carrying Winston Churchill's dictum about being magnanimous in

Mr. Lisagor is the White House correspondent for the Chicago Daily News.

## TRENDS: WASHINGTON MOOD

victory to a ridiculous extreme. But it is at least conceivable to others that he is being nothing more than candid about the election, and that the outcome would have been the same regardless of his opponent.

Before his inaugural and before his program began fully to unfold, the President confirmed in private conversations with visitors that when he talks of the Great Society he is not referring to some visionary tomorrow. Despite campaign oratory that left an impression that an end to poverty was in sight, he now makes clear that no miracles will be performed overnight.

The American society, in his judgment, has few parallels in this or any other time and is the envy of the world, and he is not about to do any wholesale tinkering with it.

In truth, the President is not a reformer and much less an innovator. He likes to move on a broad front with the widest possible support, a practice which forecloses far out, grandiose schemes. Moreover, LBJ remembers all too vividly how his model in national politics, Franklin D. Roosevelt, squandered much of the credit he amassed in his 1936 landslide victory by trying to enlarge the Supreme Court to accommodate New Deal blueprints.

There are many things about FDR that Mr. Johnson might emulate, but not his failures. What the President says he hopes to accomplish is an expansion and improvement of this society, moving at his own pace. He will seek a broadening of educational opportunities, a cleaning up of the unsightly junk yards at the approaches to the cities, a beautifying of the highways, more job openings through training, better urban transportation. And he will try to achieve these ends with money saved on other programs—or within the range of a tight budget.

Against this outlook of the President's is widespread doubt, especially in liberal quarters, that any such programs can be meaningful without spending a lot more money. The belief is that token actions will generate pressures which will force him to spend enough to alienate much of the conservative support he now cherishes.

It is Mr. Johnson's apparent belief—and this may be more visionary than any blueprints he may have shoved into the bottom drawer of his desk—that he can maintain a broad consensus of business and labor, farmer and urban dweller, Yankee and Confederate by steering an even-handed course. If he is successful, most political and social scientists tend to agree, he will have rewritten the handbook of politics; he also will have made the land not only safe for diversity but also immune to the elementary demands of human nature, which means the needs and wants of large blocs of Americans who identify with one another. The betting is that not all the wizardry and wiles of even a prudent progressive can imbue the public with a universal sense of harmony and happiness for any great length of time, unless, of course, the President

has discovered a political anesthetic he has not yet publicly revealed.

In his foreign outlook, the President believes that a flexible approach to the problems of the Atlantic Alliance is the best way to deal with the obstructionist policies of French President Charles de Gaulle and to work through a scheme to include nonnuclear powers in Allied nuclear strategy. He has instructed his advisers and agents to desist from the use of muscle or provocative tactics, to display no favoritism toward any ally and to use no deadlines to force agreement on a multilateral nuclear force of surface ships equipped with Polaris missiles or any other defense plans.

While some of his critics scoff at his frequent invocation of Isaiah's proverbial summons to "reason together," it seems a part of Mr. Johnson's character to believe that in any confrontation, he can prevail upon most men to talk out their problems reasonably. This includes de Gaulle, whom he admires greatly. In a crisis, the President believes implicitly, de Gaulle will be standing at America's side. With the imperious Frenchman, LBJ takes somewhat the attitude of a man who prefers not to inherit somebody else's quarrels. If he must challenge or joust with de Gaulle, he prefers to wait until he must do it at first hand, if indeed he must do it at all.

One of the President's problems, almost self-created, is his inability to roll with the punch of criticism. He reads the press avidly and inclines to quarrel with it constantly. One might have thought an impressive victory would lift him above these concerns; and the chances are that as time goes by he will become less thin-skinned, if not indifferent, to much of what now annoys and troubles him. This sensitivity has its virtues, however, for it means he will stay attuned to the voices of the public and thus remain responsive to opinion outside the government.

A major concern of his these days is the harassment and abuse that may be heaped upon Defense Secretary Robert S. McNamara for his courageous, cost-conscious assaults upon the obsolete and wasteful in Pentagon operations. The President is apprehensive that those reserve generals in the Congress will give McNamara an inexcusably hard time for his plan to merge the ready reserves into the National Guard and for his actions in closing down unneeded military installations. In the President's book, the civilian defense chief is one of the ablest men ever to serve in Washington.

As for himself, it is clear that LBJ loves his job and works at it around the clock. He is a man not easy to type or label or characterize, and even his closest friends say that he is forever revealing facets of character and personality that amaze them. He can seem to be a man of formidable ego and affecting humility.

It is safe only to say that he doesn't walk upon the water or eat humble pie as a daily dessert. And nobody will have trouble remembering who is Number One in Washington.



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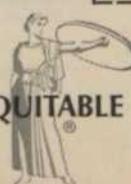
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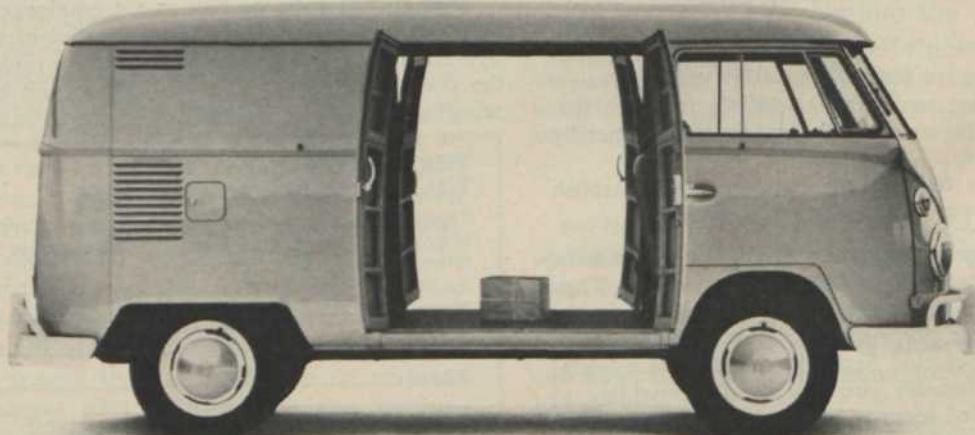
Maybe he understands.

But if you sent it 5 miles in a Volkswagen Truck  
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It would certainly make your customer very  
happy.

And that's a more profitable way to lose money.

Isn't it?



## Education's "faceless factories" shortchange our students

BY FELIX MORLEY

DURING the current fiscal year, ending June 30, approximately 3.7 million young Americans will have become 18, an increase of 30 per cent over the comparable figure for the preceding twelvemonth. For the remainder of this decade, moreover, the number reaching college age is expected to remain above 3.5 million annually.

Meantime, the proportion of young people obtaining higher education is also rising. The Carnegie Foundation for the Advancement of Teaching reports that 43 per cent of the 18-21 age group is currently in college. Attendance is expected to be 49 per cent, of the much larger number, by 1970. In round numbers, the present campus enrollment of 5,200,000 is projected at 6,900,000 five years hence.

Thus the tidal wave of population growth, which inundated the high schools four years back, is now about to break, with scarcely diminished force, against the heretofore exclusive ramparts of higher education. College directors of admission are well aware of the gathering storm. Throughout the nation new dormitories, fieldhouses, laboratories and libraries are under construction on almost every campus. In some cases even the sacred playing fields are being encroached upon for building purposes.



The financing of this rapid enlargement is not easy. Federal grants are heavily relied upon. Mortgages are being placed to an unprecedented extent. Every alumnus is well aware of the mounting pressure on him to repay, for development purposes, the debt he is said to owe to dear old Siwash. The financial strain, however, is not the most anxious immediate problem confronting our ballooning system of higher education.

More menacing, in the opinion of many college presidents, is what the Carnegie Foundation calls "The Flight from Teaching." It points out that as the number of college students shoots up, the number of dedicated teachers is not increasing and, in some

*Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.*

areas, shows an actually declining trend. A comparable situation would be to have the number of professional officers curtailed at a time when the military services were rapidly expanding.

The primary source of college teachers is, of course, the graduate schools of our great universities. Those seeking advanced degrees are numerous, proportionately as much so as those seeking to become undergraduates. The difficulty is in the diminishing proportion of those who wish to teach after getting an advanced degree. In the words of the Carnegie report: ". . . only about half of future doctor's degree

CARL PURCELL



*A swelling army of freshmen will jam into colleges this year. But who will be manning the blackboards?*

recipients will find their way into teaching, and they will be no more than a fraction of the number needed."

Research ability is the essential requirement in every field of graduate study. It is for demonstrated research proficiency that the Ph.D. or other advanced degree is supposed to be granted. And until relatively recently the recipient of an advanced degree normally went on to teach in the field of his specialization.

As a teacher he would probably use spare time to prosecute his own studies, but never at the expense of the undergraduates whom he was paid to in-

## TRENDS: STATE OF THE NATION

struct. That has all been changed by the enormous growth of specialized governmental research, inaugurated during World War II and greatly accelerated since Russia lofted its first Sputnik. Probably the enormous expansion of federal expenditure for research and development is not generally realized. In 1940 it amounted to \$74 million. By 1950 appropriations to this end reached a billion dollars. Last year almost \$15 billion was spent by Washington in this field.

By no means all this money goes for scientific purposes. As lavish funds to shoot the moon became available there was outcry from those who reasonably argued that government should also support research in the humane studies. The net result is the current availability of government grants for almost any scholar, whether his expertise be in the field of electronic computation or that of African tribal dialects.

Coupled with governmental salaries which many colleges cannot match, this official research has done much to promote the flight from teaching. And its drain on the profession is not confined to full-time withdrawals. Many professors who remain on campus enjoy federal grants for part-time service, meaning that their teaching load has been correspondingly diminished and much classroom work turned over to less competent instructors, if not abandoned altogether.

Here, incidentally, is seen one of the frustrating inconsistencies inseparable from governmental planning for the Great Society. Even as Washington provides funds for college students it lures from the campus the teachers under whom they had hoped to study. The resulting disillusion is becoming all too apparent.

• • •

Many cherished traditions are being swept away by the fluidity that has come into college teaching. The kindly old professor, who served as guide, philosopher and friend to generations of undergraduates, is today almost as extinct as the whooping crane. His contemporary counterpart is absent-minded only so far as his local duties are concerned. With one ear constantly cocked for advancement elsewhere he has little interest in the college community. Let us listen for a moment to Dr. John W. Nason, formerly president of Swarthmore and now of equally excellent Carleton College. In his current annual report Dr. Nason writes:

*With colleges, universities, government and industry all competing for the services of faculty, there has developed a pattern of relatively rapid turnover. Faculty members come only to leave . . . for some more attractive offer. . . . As a consequence, faculty members are less inclined to identify themselves with their present institution or to participate wholeheartedly in the constant effort to improve its performance.*

There is probably not a small college president in the country who would not now sadly indorse that complaint. It is voiced even more strongly in the Carnegie Foundation report, which says of "some" young college teachers today: "In their view students

are just impediments in the headlong search for more and better grants, fatter fees, higher salaries, higher rank."

If a teacher regards his students as "impediments" a strongly hostile reaction from them is to be expected. And just that is apparent now on many a campus. The recent student riots at Berkeley are said to have been sparked by underlying grievances having little to do with the advertised issue of free speech. A reporter for the *Wall Street Journal*, probing the situation carefully, concluded that "faculty are frequently so absorbed in research that they have little time for students. . . . The teaching burden falls heavily on teaching assistants who are usually inexperienced graduate students working towards their degrees."

It is a part of the American dream that every youngster qualified for college should be encouraged to go there. But the steps between the expression and the realization of this hope have still to be designed. The mere pressure of numbers means that the State universities, in particular, will become ever bigger agglomerations in which the individual is lost in the anthill of his fellows. "Faceless factories" is the description increasingly applied. "We are distinctive only for a TV football team," writes one outspoken student editor.

Normal adult reaction, when youth rebels, is to call for discipline. Certainly that is needed in schools of every level. But environment plays a part in juvenile delinquency. The student who finds his university merely a "faceless factory" has made a telling point.

• • •

Times change, and with them educational procedures. We shall not return to the era in which the ideal college education was defined as "President Hopkins on one end of a log, a Dartmouth student on the other." Assembly-line procedures are replacing that ideal. But it will be impossible to mass-produce college graduates without some very perceptible loss of quality.

Hopefully, the close relationship between teacher and pupil which has always characterized American education at its best will not be entirely lost. Racial integration will certainly not be successful unless this more subtle communion is maintained. A recommendation of the Carnegie report is that colleges should be conducted "as though undergraduate teaching is important." That elementary advice does not of itself confront the educationally injurious lure of governmental competition.

There is little doubt that many of these research grants operate, in the long run at least, to the benefit of commerce and industry. And since these grants are a potent factor in the flight from teaching, some reciprocal responsibility might well be admitted.

Concretely, it could be helpful, in this difficult problem, for businessmen to acquaint themselves better with the problems of neighboring colleges. Wherever a business has gained from the direct or indirect service of a teacher it is probable that a college could gain from the direct or indirect cooperation of an executive still sensitive to the growing pains of youth.

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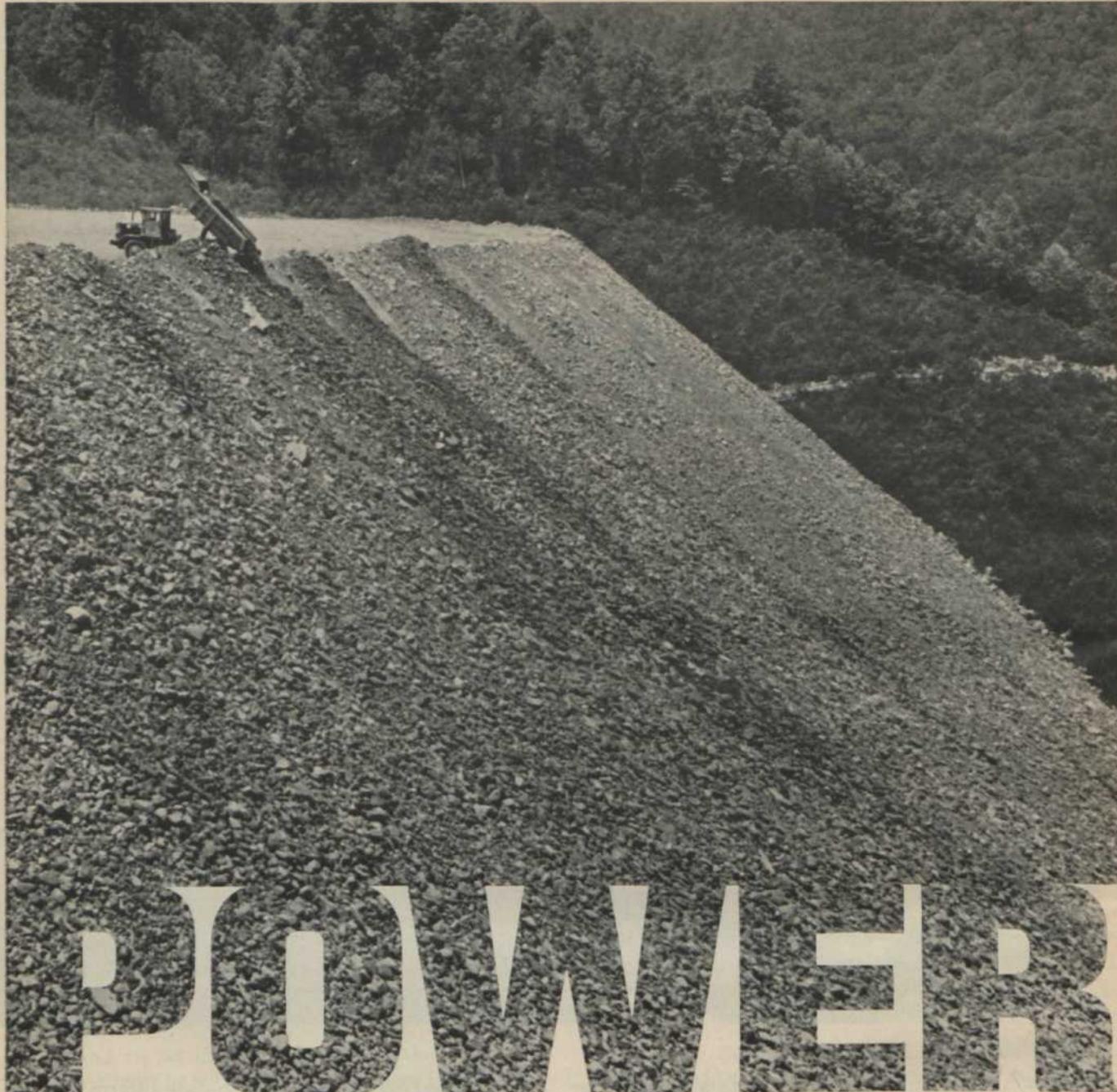
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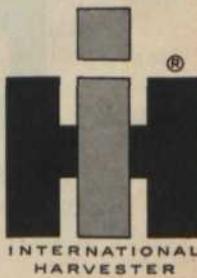
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the courage to change  
the strength to grow



# FIVE-WAY PUSH ON WAGE COSTS COMING

New factors build upward pressures you may face



**LIKE IT OR NOT**, you and many of your fellow businessmen will have to give millions of workers pay raises in '65. They'll be forced on you.

Picture such costly items as a \$2-an-hour wage floor, a seven-hour workday, holidays for all employees on their birthdays, government-dictated fringe benefits.

Some day soon they may affect more of American business than you care to think about.

The new year has swept in the icy prospect of stronger and more diverse wage-cost pressures than at any other time since the war.

It's not just that labor has vastly increased its muscles in Congress. It's not merely that organized labor is arm in arm with the Johnson Administration. And it's not just that union leader rivalries will bring new bravado to wage negotiations, though these are potent developments.

Wage-rise pressures now seem to be coming from all sides. They will spring mainly from five sources:

1. Bargaining.
2. Government-union agreement on overtime pay.
3. Minimum wage legislative proposals.

4. Labor's drive for short hours.
5. Bureaucratic wage-fixing.

#### **Ghosts from the past**

The strongest upward pressures on wage levels during the year will likely come from deferred increases under old contracts, cost-of-living escalator adjustments and collective bargaining. You'll undoubtedly feel the pinch indirectly, even if you are not directly affected by the union agreements.

About 3.7 million workers will get automatic wage hikes this year under past union agreements, according to the Bureau of Labor Statistics.

This is 1.3 million more than last year and the largest number since the recession year of 1958, when some four million workers got automatic raises.

Most workers receiving increases—more than two million—are in metalworking, including autos and transportation. Most of the increases, covering about 2.5 million, will be in the range of six to 10 cents an hour. About 99,000 will get less than five cents. Around 205,000 construction workers will get 25 cents or more. Another 142,000 in construction will get boosts

of from 15 to 17 cents an hour.

Cost-of-living escalators in union pacts will likely produce additional wage increases. As a result, business will pay out about three or four cents an hour in increases to some 865,000 of the 3.7 million getting deferred raises. The one per cent-plus rise in the Consumer Price Index in each of the past two years brought wage cost hikes of three and four cents an hour for the automobile, farm and construction equipment, aerospace and meat-packing industries. That's where escalator clauses are concentrated.

There's no reason to believe that this year's cost-of-living increases won't be as much, or more.

On the bargaining side, the main thrust up will come from the basic steel negotiations. They're scheduled to come to a head by April 30, the strike deadline. Indications are that wage and fringe benefit increases will be hefty and will have a ripple effect on steel fabricators and other employers.

So will the estimated annual five per cent increase settlement in the automobile industry last fall—affecting parts manufacturers and others dealing with the United Au-

## FIVE-WAY PUSH

continued

tomobile Workers. The UAW and Machinists Union hope to load the automobile wage and benefits package increase on the aerospace industry in mid-year negotiations.

### Double or nothing?

For most employers, the Johnson Administration and unions are now proposing to double the overtime penalty on employers from 50 to 100 per cent of regular pay—in other words, you'd pay double time instead of time and a half for overtime. This raises a larger threat to costs than a mere increase in minimum wages.

Two facts make this clear:

Most employers pay much more than the legal minimum now. This is reflected in average straight-time pay for production workers in manufacturing. It was \$2.46 in November, the latest official figure available.

Considerable, if not most, overtime work is unavoidable. Fluctuations in demand, seasonal variations, lack of skilled workers, equipment limitations are some of the reasons. So the increased penalty where overtime must be worked would only increase your costs and harm your present employees. It would not spread available work to open new job opportunities as proponents of double overtime pay claim.

Here is what one manufacturer told NATION'S BUSINESS about the impact of double time for his plant:

"Some employees have to start work early or finish late to get processes started or ended. Their overtime pay would be increased without creating any new jobs." Obviously it's impossible to hire trained people for short periods when overtime is necessary.

Another manufacturer, in textiles, asserts that "all double-time pay for overtime would do is increase the cost of production and put the United States at a greater disadvantage with foreign competition. This, in turn, would contribute to a worsening of the already serious imbalance of total trade which has resulted in the reduction of this country's gold reserves."

Payrolls for our 13 million factory production workers would increase \$2.7 billion in 1965 if overtime and wage levels of last November continue during this year and the penalty rate were increased to double time.

The idea of increasing the over-

New bargaining,  
deferred boosts,  
cost-of-living  
escalators build  
union pressures  
for higher pay.

Double time for  
overtime would  
not only raise  
costs but give  
edge to foreign  
competition.

time penalty as a device to force employers to cut out overtime work and increase their labor force was rejected by President Kennedy. But President Johnson has embraced it.

### New minimum wages

Minimum pay for some four million employees, mostly in retail and service establishments and construction and local transit industries, will rise 10 cents an hour to \$1.25 next Sept. 3. This is on top of a 15-cent increase which took effect last September.

These employees were first covered by the federal wage-hour law in 1961. That's why Congress allowed their minimum to be lower than the \$1.25 level applicable to workers generally in jobs affecting interstate commerce.

But organized labor will now press hard for an even higher minimum of \$2 an hour and extension of coverage to an additional 2.7 million workers.

But pay-fixing by federal law has clearly hurt some employees. Many employers have had to eliminate jobs and introduce labor-saving devices to meet competition. This has shrunk job opportunities, mostly for younger people and the unskilled, who are most often unemployed.

"We're faced with increased foreign competition. We'd have to meet an increased wage cost by discontinuing some items and laying off workers," warns a small Ohio company executive who has not laid off a worker in six years.

Another executive agrees. A minimum-wage increase at this time "would, of course, spur us to further efforts toward automation and

the elimination of some fringe jobs."

The problem of wage raises by government decree touches you even if you now pay more than the minimum to all or most of your employees. You need or want to maintain pay differentials between employees of varying skills, length of service and for other reasons. Some union contracts even require a general wage increase whenever the legal minimum rises.

So an increase of 10 or 25 cents an hour at the bottom can extend upward to all levels.

In recent years administrations in Washington have concentrated more on broadened coverage—the second way wages may be forced upward under the wage-hour law—than on higher minimums.

A congressional labor subcommittee last summer recommended extending minimum wage coverage to some 750,000 employees of large hotels, restaurants and laundries, some food processors, cotton ginners and logging contractors. The full committee postponed action. But expanded minimum-wage coverage is bound to get serious consideration from this Congress. The AFL-CIO and other labor groups will push for even broader coverage than that recommended by the subcommittee.

About 27.5 million nonsupervisory employees in private industry come under the wage-hour law now. About 16.5 million don't. Of these, 11.2 million are not in interstate commerce. The remaining 5.6 million so far have been exempted by law. Among these are two million farm workers and 1.7 million outside salesmen, neither likely prospects for coverage.

This leaves as the major targets

**Government and union drive for \$2 minimum wage, expanded coverage has high priority in the Congress.**

**Shorter workweek coming for many workers under union agreements or law in addition to new legislation.**

**Pay in plants, on construction and on farms is being forced upward by new rulings and bureaucratic edicts.**

for coverage 1.4 million employees in retail trade, hotels and motels, restaurants and other service industries; 133,000 in laundries and dry cleaning establishments, and 90,000 in food processing.

#### **Shorter workweek drive**

The workweek will shorten this year for four million workers covered by the latest changes in wage-hour law. Effective September 3, you will pay time and a half for overtime work beyond 40 hours a week if you are in one of these industries.

This will be the final step of the three-step procedure slicing down the workweek in large retailing and service establishments and construction and local transit industries to 44, 42 and 40 hours.

Now all covered employees are on a basic 40-hour week for the first time since the wage-hour law took effect in 1938.

This gives organized labor the excuse to build more steam under its demands for the next move—to a 35-hour week.

AFL-CIO President George Meany believes he is making progress in wooing the heretofore reluctant Johnson Administration to labor's point of view on the shrunk-en workweek.

The Administration has opposed forcing a shorter workweek without reduction in weekly pay because of the added cost which would build more pressure under prices, hurt American industry competitively and contribute toward inflation.

A legislative push will be teamed with union negotiators' continued drive toward fewer work hours with no lost pay through pressure at

the bargaining table. Union leaders will try to get employers to agree to shorter weekly hours, longer vacations and more holidays, even giving employees a day off on their birthdays, already springing up in a few places.

Historically, the trend toward shorter hours from the 60-hour week of 1900 has been led by voluntary action of employers and by employers and unions jointly. The degree of success already achieved is reflected in a new study by the AFL-CIO of the weekly hours provision in labor-management agreements.

Eight million—that's 15 per cent—of all wage and salary employees work less than 40 hours a week now. Unions are forcing shorter workweeks in construction, manufacturing, retail and wholesale trade, finance, insurance and real estate, the service industries and in state and local governments.

The AFL-CIO says the industries leading the way and the percentage of workers on standard workweeks of less than 40 hours are:

Printing trades	98 per cent
Garment workers	97
Brewery workers	65
Office workers	33
Restaurant workers	17
Rubber workers	15
Construction workers	13
Retail employees	12

#### **U.S. administrative actions**

Wages will be forced upward in 1965 through administrative actions available to the Labor Department under several current laws.

Secretary of Labor W. Willard Wirtz has decreed that, effective

April 1, farmers who wish to import alien labor for harvests must first offer the work to Americans at pay scales ranging from \$1.15 to \$1.40 an hour. The rate varies in different states.

Ironically, farm help is exempt from the federal wage-hour law. So the \$1.40 is 15 cents above the \$1.25 minimum applicable to workers generally covered by the law.

Mr. Wirtz acted after Congress refused to extend the 14-year-old "bracero" program under which 180,000 Mexicans were admitted to this country last year for temporary work on farms in the Southwest.

Wages will also get an upward push from the Walsh-Healey Act. This law covers minimum wages which must be paid on federal contracts.

The minimums are set according to industry and locality. They range from the general federal minimum of \$1.25 an hour to as much as \$2.85 an hour for coal miners in Montana.

New pressures under this law will come if and when Secretary Wirtz puts into effect his announced plan to set in each industry multiple minimum wages keyed to occupations.

The new wage-setting rule is being opposed by many businessmen. They maintain that neither precedent nor the Walsh-Healey law permits such wage-fixing.

By setting multiple minimum wages by both industry and job classifications Mr. Wirtz would be adopting the practice now followed and permitted under another law—the Davis-Bacon Act. This law covers federal construction contracts.

**END**

# THE ULTIMATE WEAPON IN WAR ON POVERTY

Stories of three Americans show how they won real victory over destitution without recourse to federal handouts

THEY aren't rich or famous, these three men. They've never seen each other, but they have something in common.

Each man stared at the harsh face of poverty and turned away to seek a better life.

Each man symbolizes a group, an age, a part of the country or a segment of the economy that suffers from chronic joblessness.

Each man has shown that self-reliance still thrives in America. Each has proven that initiative, not bureaucratic doles, can still carry a man today from even the rawest economic straits to a decent living.

NATION'S BUSINESS Associate Editors Paul Hencke and Walter Wingo found and talked with these three men and wrote their stories.

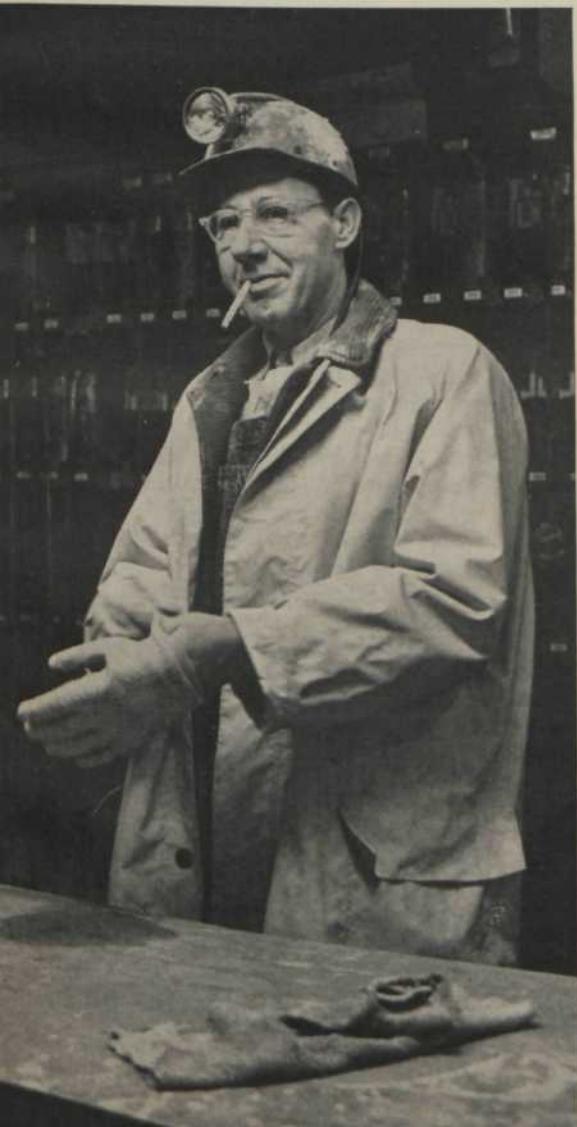
One is Carl James, a 19-year-old slum-bred New York Negro. Unemployment among Negroes his age is almost twice that among white youth. But he's working and has a bright future.

Another is Lawrence Persinger, 43-year-old former West Virginia coal miner who went where the job was, though it was 2,000 miles from home.

Christopher Columbus Lusby typifies the plight of small tenant farmers. He pulled himself and his family up from poverty in rural Maryland to an income higher than that of seven out of 10 American families.

Their stories are on the following pages.





PHOTOS: ROBERT PHILLIPS, JOSEPH HOLLY, JOE COVELLO—BLACK STAR



*Carl James recalls days of cold and hunger as he returns to a New York neighborhood where he once lived in a walk-up slum apartment. Poverty still lives there, but Carl has moved to a better life. To find out how he did it, see article on following page.*

## THE ULTIMATE WEAPON

### CARL JAMES:

*He can well remember the "feeling of walking those streets with no money."*



**POVERTY?** Carl James can tell you about it.

It was a five-floor walk-up, cold and rat-ridden, in a Third Avenue Bronx slum.

It was the look on his mother's face when she put sandwiches on the dinner table because there wasn't enough money in the house for a hot meal.

It was a bare spigot poking through the floor where a wash basin should have been.

Most of all, it was months of walking around looking vainly for work while desperation grew into something large and frightening inside him.

The desperation and fear are gone now. Carl James has a job. He's learning the auto mechanic's trade and can look forward to a purposeful future. The fact that he can is a minor triumph for a 19-year-old Negro who dropped out of school before completing the eleventh grade.

"It's what you do yourself," Carl told a **NATION'S BUSINESS** editor. "You can make it if you try."

What bothers Carl, when he thinks about it, is that a lot of his teen-age buddies aren't really trying. Like him, many of them also are high school drop-outs. He runs into them, sometimes at the candy store near the shop where he works or just hanging around on the sidewalks of the huge Edenwald Public Housing Project in New York's Upper East Bronx, where Carl now lives with his mother and sister.

"When I walk up," Carl explains, "the guys holler, 'Here comes the big working man!' You know, that bothers me. Because they make me feel that I'm trying to be better than they are. I don't know, maybe



Frank Mastandrea, shown with Carl in the photo at upper left, runs the repair shop where Carl now works as an auto mechanic's apprentice. In the photo at left Carl gets some pointers on tune-up from Ted Carrozza, the shop manager.

*Carl calls on a family in the tenement where he once lived. Below, he jokes with friends. Some companions needle him as "big working man." In final picture, Carl and girl friend stroll near tall new apartment building where he lives now with mother he helps to support.*



I am. Because I don't like that feeling of just hanging around. I've got a trade now, and my mother is happier and I, well, I want to do something. You know, move up to a better job in the trade and get enough money to get married and have some kids and buy a house."

There are ironies in Carl's relationships with his idle friends. While they taunt him about holding down a steady job, some of them feel no reluctance about touching him for a loan. And it is to Carl that they look for know-how when their cars break down.

"Actually," says Carl, "I think I've made back most of the loans, and maybe some more, doing tune-ups for people around the project. A few bucks here and there. It all helps."

#### **"No money in my pocket"**

Carl James dropped out of the Samuel Gompers Vocational and Technical High School in 1962. While there he had studied shop—with an emphasis on automotive mechanics, which has held his interest

(continued on page 84)



PHOTOS: JOE COVILLO - BLACK STAR

# HOW YOUR COMPETITION

## Four factors will set faster business pace

EXECUTIVE IMAGINATION faces a new challenge: How to meet the rapidly changing characteristics of competition.

Several things are happening:

- Nonprice competition is growing in importance.
- Price followership is giving way to a new kind of price leadership by smaller and previously less important companies.
- Test-tube competition—the results of research—will play an increasingly important role.
- Competition as never before is crossing industry lines and national borders.

Business on a broad-based scale will become more competitive despite the high concentration of some industries. The percentages of output by leading companies are becoming less and less meaningful as indications of the effectiveness of competition.

An industry, for example, with

four leading companies supplying a large proportion of the market may become particularly vulnerable to the changing characteristics of competition. One or more of the leaders may be replaced by other companies now less significant but which, through research and innovation, may seize the leadership and upset the current production balance.

On the other hand, a leader in one field may also become the leader in another.

Against this background no company's position will be safe in the years immediately ahead. No firm can simply keep up if it wants to attain a position of leadership. The demands of the future will cause any company which aspires to greater profitability to set a new pace.

The new competition will require greater flexibility, initiative, agility and leadership by corporate officials. Greater imagination will be necessary to determine customers' wants and needs and how best to serve them. Convenience, quality and service will be an important part of the package demanded by tomorrow's discriminating customer.

### Nonprice competition

Nonprice competition is of major importance throughout American industry. Companies are competing to an increasing extent in research, quality, credit terms, technical services, brand names, advertising and in many other ways besides price.

By emphasizing nonprice factors, a company can try to maintain or increase its sales at a given price or within a given range of prices.

The prices charged by competing companies for their products tend to be similar. Companies must therefore compete in other ways. Can-

ning companies, for example, compete in the speed with which they service canning machines. Rubber companies compete in technical services.

Roger M. Blough, United States Steel Corp. chairman, stresses the nonprice factor by emphasizing that his company must sell a steel-oriented service. To hold the industry initiative, he says, "We provide our customers with the most complete service that our materials and our organization can provide."

Charles G. Mortimer, chairman of General Foods, summarizes the role of nonprice competition by noting that what keeps executives busy is the prospect that some competitor,



Small  
companies  
becoming  
price  
leaders

big or small, will come out with a new product or service that will change the whole consumption pattern.

Smaller companies often find it easier to compete in nonprice terms than through price. Here's how one small manufacturer describes his efforts:

To meet the lower prices of large production runs, he offers rapid service, products tailored to the customer's exact specifications. Where the large company promotes sales through heavy advertising, the small firm stresses personal contact

Non-price  
competition  
is gaining



# VILL CHANGE

and service. When his accounts turn into captive customers through competitive mergers, he relies on his flexibility, and switches to a new product or a new customer.

### Price leadership will weaken

Changes in the structure of competition will be accompanied by an intensification of price competition in most industries. Prices of many chemicals, paper products, electrical equipment and appliances, for example, are exposed to continuous buffeting.

This will continue for many industries.

But a significant change is under way. There is a weakening of price leadership.

Price leadership and followership are found throughout American industry. Many companies, large and small, compete by following the leadership of other companies which assume the initiative in making price changes.

A price leader generally will be reluctant to raise or to lower prices in the absence of a major change in the economic conditions affecting the product.

The initiating factor may be a significant rise in labor costs, changes in raw material costs, large increases or decreases in demand, changes in the price of substitute products, a general condition of inflation or some other factor.

Usually all or most companies in an industry are affected similarly

by such developments. This is why price leaders, who act as barometers, usually have been followed when they raise prices as well as when they reduce them.

Now there is developing an unwillingness by some companies to follow price increases initiated by a leader.

The general willingness of many companies to follow practically all price increases in the earlier post-war years probably reflected, to a large extent, the inflationary environment in which those patterns emerged. That a large company then made the first move was less important than the fact that its competitors were eager to raise prices, too, and felt they had to wait until the largest companies had done so.

Products for which price increases have had to be reversed include: aluminum ingots, grocery bags and wrapping paper, bleached sulphite, light heating oils, multiwall shipping sacks, aluminum siding and sheet, plywood, steel plates, corrugated containers, copper water tubes and pipe, zinc, oil circuit breakers, water heaters, aluminum cans, welding steel tubing, glass fiber roving, flannel, tool steel, steel strapping, acrylonitrile, aluminum sulfate, hydrofluoric acid, nitrogen products, perchlorethylene, polyethylene, polystyrene, polyvinyl chloride film and urea.

### Foreign competition

Foreign competition also has had price effects for many products including textiles, steel wire, cameras, transistor radios and organic chemicals.

An interesting illustration of the impact of foreign competition was the decline in phenol prices when exports declined and the available supply backed up on our domestic market. In other words, displaced exports may add to domestic surpluses and create pressures for price declines.

### Test-tube competition

Innovation will add a new dimension to competition.

The tempo of change is quicken-

ing. Paul B. Wishart, Honeywell, Inc., chairman, stresses the prospect of change that will come from giant technological strides. New products, he believes, will overcome existing products through superior performance and the employment of new concepts as solutions to consumer needs.

The competitive implications for existing products are clear.

The availability of substitute products is a vital economic fact of life in American industry. It influences the competitive environment within which decisions must be made concerning pricing, sales strategy, research and development, technical services and other forms of competition.

Interindustry competition is stim-



ulated by the large expenditures for research. Companies are developing new products, and new uses for old products, and are changing existing products in their research laboratories at an ever increasing rate.

Research and development expenditures by industry, partly financed by government, are still pointing upward. The total has increased from \$2.2 billion in 1951 to \$10.5 billion in 1960, and now about \$13 billion a year is going for research by industry.

The flood of products from the  
(continued on page 64)

Competition crossing  
new borders

# WHAT YOU CAN LEARN ABOUT YOURSELF

These insights into what makes people act as they do can help you do a better job. Understand yourself? Try this test

ONE of the hardest things a man can do is to look at himself objectively, realistically, without self-glorification, deception or despair.

An analysis of yourself can pay rich dividends in a variety of ways: Increased effectiveness and impact on others, better personal relationships, greater personal fulfillment.

"Only as you know yourself," says Bernard M. Baruch, "can your brain serve you as a sharp and efficient tool. Know your own failings, passions, prejudices so you can separate them from what you see."

The human being has come a long way in the direction of self-understanding, though he still has much to learn. Even today, stone-age tribesmen in Australia cannot associate their headaches with their own heads. Even in that physical sense, they are strangers to themselves.

Modern man is not only aware of his headaches, he has advanced to a familiar knowledge of his ulcers and his pulse and his blood pressure. But he needs to know himself other than in the language of his ills and aches.

All too often, self-study takes place only in times of crisis. Then we get a distorted picture of our strengths and deficiencies. For a balanced picture you have to look at yourself in relatively normal situations.

## Obstacles to self-knowledge

Getting to know yourself is not simple. Psychologists agree that each of us builds up a strong network of defenses which act to pro-

tect us from others and, incidentally, from ourselves.

All of us are born into this world helpless and dependent. In order to survive we need to lean on others. The child growing up learns to turn to mother not only for the comforts of physical help but for the more rewarding comfort of approval.

As we grow older, we continue the search for approval from the widening circle around us. We want friends not only to like us, but to approve of what we do. In their approval we find reassurance of our own worth.

So great is the human need for love and approval that we will even deceive ourselves, if necessary, rather than face the fact that we might not deserve it. Undisguised, our behavior might not always merit approval. All of us do things that are inconsiderate, unkind, downright cruel. But rather than face ourselves in an unkindly light, even to our own eyes, we unconsciously will protect our image of ourselves. The process takes these forms:

We rationalize. "I did it because," providing supposedly good and substantial reasons for our behavior.

We project, disowning the fault and seeing it as the other fellow's problem.

We displace, by blaming someone else for our own faults that we can't accept.

We compensate, by stretching ourselves in one area when we have failed in another.

One classic illustration of rationalization comes from a vice president of a company who was a former

alcoholic. He expressed the way his mind deceived him as follows:

"When I was young and just out of college I found the nicest people in bars. The men were all bright and the women charming. As I got older and started to the bar about four in the afternoon and stayed till two in the morning, I found the crowd was deteriorating! The most charming people never showed any more.

"I couldn't believe I was becoming an alcoholic, so one day I figured it all out. The bartenders were responsible. They weren't as intelligent as they used to be when I was younger. I therefore set about to correct the situation by spending time moving from bar to bar, giving the whisky tenders tests of general information. I felt certain that if bartenders were more interesting and informed then all the best people would return."

Our defenses serve two purposes. First, they represent an attempt to prove to others that we're really fine people and anything we do wrong is done for the right reason. Second, and probably most important, they help us to deceive ourselves. They help us to retain the image of ourselves as important and productive people. So solid is

**Mortimer R. Feinberg**, the author, is an industrial psychologist and president of BFS Psychological Associates, Inc. This article is adapted from a chapter in his forthcoming book, "Psychology for Managers," © 1965 by Prentice-Hall, Inc., Englewood Cliffs, N. J.

## Do you see yourself as others see you?

the wall of defenses in most of us that it becomes a barrier to self-knowledge.

Defenses, then, serve as a mask behind which we hide. But in addition, the road to self-knowledge is also blocked by the fact that so much of our behavior is controlled by our unconscious. Dr. Sigmund Freud, the father of modern psychoanalysis, was one of the first to understand the importance of the unconscious in determining our behavior.

Our safety devices operating from our unconscious work automatically. We have to be very skillful if we want to sneak up on ourselves and take a quick look. How many times have you found yourself doing the opposite of what you consciously intended to do?

Some of us make all kinds of resolutions about going on a diet but seem powerless to stick to our decisions.

Most of us, at some time or other, have had the same sort of trouble getting a particular chore done. We promise ourselves we'll get to it at the very first opportunity, but we never seem able to find the right time.

Dr. Burleigh B. Gardner, social anthropologist, has pointed out some of the reasons why supervisors and managers fail in spite of their conscious desire to succeed. Here are some of the forces which motivate an individual but of which he frequently has little understanding:

Desire to be something else. Often many capable people don't like supervisory work and resent the demands it makes on them.

Many men have the ambition characteristic of good managers. "Often, however, the desire for a supervisory position is merely a means to some other end and a man has no interest in the work for its own satisfactions."

Inability to make room for others. Many men, in spite of their conscious desire to cooperate with others, just can't seem to do so. They resent the advancement of anyone else.

Resistance to authority. Psychologists point out that resistance to authority takes many disguised forms, such as chronic lateness, forgetting important meetings and messages for a superior, demanding special privileges, ignoring direc-

(continued on page 78)

Here's a list of personal traits the author adapted from a test for self-evaluation devised by a consulting organization. Check characteristics you believe describe you. Then check those traits you believe others apply to you. Finally, check what you think is a summary verdict. See accompanying article and box on page 80 for appraisal.

	Self	Superior	Wife	Friend	Verdict
Kind					
Truthful					
Argumentative					
Eager					
Tense					
Humble					
Firm					
Optimistic					
Egotistical					
Shrewd					
Selfish					
Impulsive					
Decisive					
Mature					
Devious					
Ambitious					
Imaginative					
Critical					
Fair-minded					
Easily-swayed					

# Suburban renewal: Subsidy on the rise

Satellite communities, small towns now make up majority of areas seeking U. S. funds to rebuild

**OVERLOOKING THE** Potomac River on its Virginia shore, a \$74 million complex of office and apartment buildings is rising on a site that was once an industrial eyesore.

This towering showplace in suburban Washington's Arlington County is a tribute to the foresight of local businessmen and county officials. It's being built with private resources after rejection of federal urban renewal funds.

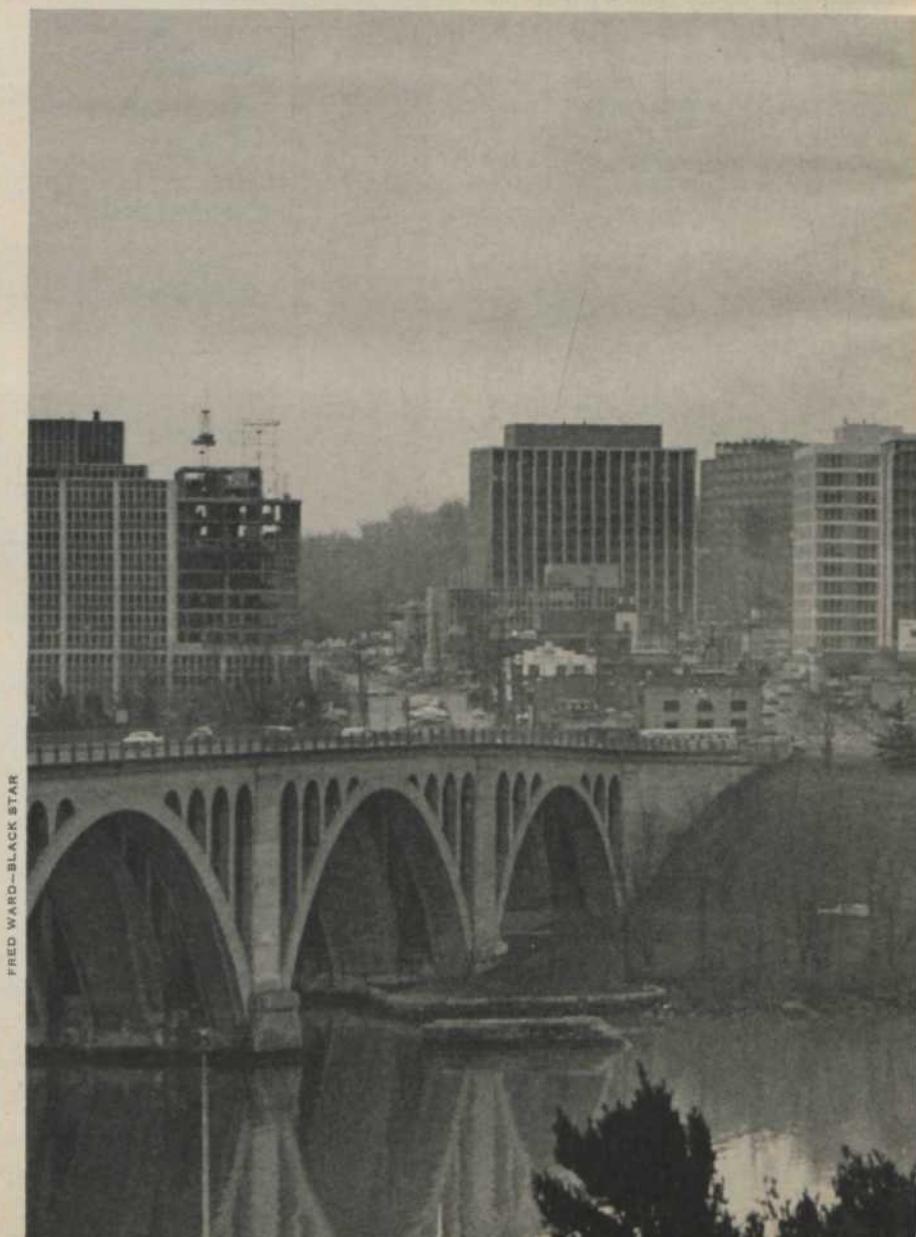
By contrast, in Ocean City, N. J., local officials are bone-weary from two years of Indian wrestling—as the mayor puts it—with officials of the U. S. Urban Renewal Administration. The resort town has been struggling with the federal agency over a restoration plan which Urban Renewal wants carried out but which local officials say would ruin their city's economy.

Both of these developments deserve consideration because more and more small cities and suburban communities are following the lead of many big ones and trooping to Washington for urban renewal funds.

In the New York suburban area alone there are more than 90 federal urban renewal projects on which more than \$210 million in federal tax money is being spent.

Under the federal program a

*Private money and initiative have produced this impressive renewal project in Arlington County, Va.*



FRED WARD-BLACK STAR

local government agency acquires property in blighted areas by condemnation or purchase. Then the local agency tries to resell the cleared land at a discount to a private developer to construct residential or office buildings. The federal Urban Renewal Administration subsidizes the city's financial losses and sets standards for renewal plans.

Many cities are finding that the aims of urban renewal are often not fulfilled. They find that red tape, loss of tax revenue and mere reshuffling of slums are common results.

Emphasizing the growth of renewal projects in smaller communities, Urban Renewal Commissioner William L. Slayton says: "There is a persistent idea that urban renewal is just a big-city program. Yet the facts show quite a different story. Of the nearly 800 cities now engaged in some 1,600 federally assisted urban renewal projects, about 70 per cent have populations of less than 50,000. Federal grants for these smaller cities total nearly \$800 million."

#### Political significance

The growing spread of urban renewal to the suburbs and to small towns is politically significant because it tends to lure more supporters for the federal program at a time when it is under increasing attack. A suburban community which has its own federally aided project is not as likely to criticize the expenditure of some of its federal tax dollars to rebuild the downtown area of the adjoining metropolis. The same is true of a small city located in an otherwise rural area.

The muffling of local opposition may be reflected in the votes of representatives elected to the House and Senate, where the Administration must go regularly to request additional money to finance the ever expanding urban renewal program. This year will be no exception, for the more than \$4.7 billion already authorized will run out during the present session of Congress.

Still, by far the bulk of the money goes to the larger cities. Grants authorized for cities having over 50,000 population now total more than \$3 billion. The larger cities have been involved in the federal program for a longer period, projects are often more extensive—and expensive—and these cities frequently have a number of projects. For example, New York, Philadelphia and Chicago each has about



*Mayor Thomas Waldman of Ocean City, N.J., says that federal urban renewal is no blessing. "The proposed project would ruin our economy."*

35 projects of various types, all largely financed with dollars collected from taxpayers throughout the country.

Look at some of the towns that are now involved in the government's 15-year-old super slum clearance scheme:

Junction City, Ark.—population, 1,388—has already completed re-

habilitation of its downtown area using \$443,000 in federal funds and has applied for a second project.

Martin, Ky.—a town of similar size—has torn down an old residential section adjoining its business district with a grant of \$133,000, replaced part of it with a municipal parking lot and is seeking its sec-

(continued on page 96)

## WE'RE WASTING BILLIONS ON OUR CITIES

LARGE NUMBERS of citizens in city after city across America are now recognizing that federal subsidies are not needed to clean up slums.

At the same time, housing and city development specialists in new studies confirm the belief that the U. S. government's multibillion-dollar urban renewal program is unnecessary.

The experts cite these three important findings:

1. Cities are now growing in a different way.

2. There is plenty of land available—at cheaper prices—for fu-

ture residential and industrial requirements.

3. Federal urban renewal accomplishes relatively little for the extremely high cost to the taxpayer.

#### New city patterns

The growth rate of American cities is slowing. Those who talk about the rate at which our cities are swallowing up land are talking about the past, not the future.

The urban renewal subsidy program, started by Congress in

(continued on page 95)

# A LOOK AHEAD

## New debt-collecting rules?

(*Taxation*)

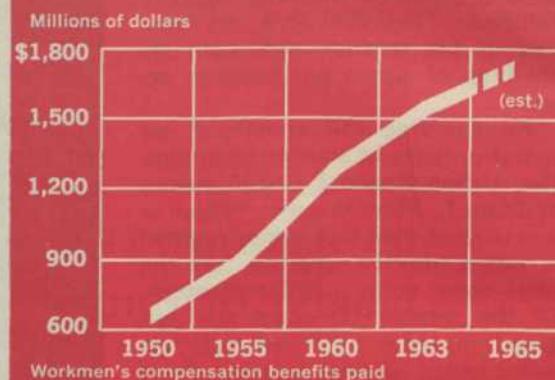
## Coins' clink may clunk

(*Marketing*)

## Insurers attack loss rise

(*Credit & Finance*)

### Benefits to injured employees rise



### AGRICULTURE

A mountain of bales will increase pressure on Congress to change cotton subsidy programs.

U. S. government experts had expected a million-bale decrease in the country's surplus cotton stocks in crop year ending July 31. Now they see a 500,000-bale increase. How come? Bigger yields per acre. A-bale-an-acre (500 pounds) used to be a target; this year the U. S. average will hit 524 pounds.

Farmers do it by controlling boll weevils, boosting fertilizer, using skip-row planting.

Farm Secretary Freeman tries to cut production in 1965-66. He whittles price supports, raises inducement for planting fewer acres.

Trends are against him. Researchers eye new technology for cutting costs, raising yields. J. K. Jones of National Cotton Council says, "A further reduction of four to six cents a pound can be achieved by better application of present technology." A Texas research team reports it's on the verge of finding way to grow cotton without hoeing.

Congressional fight brews. Chairman Ellender of Senate farm committee seeks repeal of present cotton program.

### CONSTRUCTION

Home building industry pushes a frankly egg-head program—with

practical overtones—for improving local environment. In other words, how to make the good community, not simply better houses.

Philosophers, zoologists, social scientists, architects, ministers sit down in seminars with members of National Association of Home Builders, swap thoughts. Recent session in Washington showed tendency to air well known problems of big cities. But sponsors figure cross-fertilization of ideas can help improve building.

Plans call for trying out local environmental design activity in a pilot city soon.

Builders will try to decide where campaign goes next at a meeting in California this month.

### CREDIT & FINANCE

Insurance companies move to balance out climbing losses from fire, extended coverage claims on homes, other buildings.

If you haven't had to pay higher rates recently, you may when you renew policies. Many companies have been writing policies for five-year periods. Now they're cutting that to three so they can review rates earlier.

More companies sell deductible policies on buildings, as on cars. A \$50 deductible on wind and other nonfire damage cuts paper work on small claims. Insurance Information Institute says firms figure it costs

them as much to process a \$15 claim as a \$200 one. In Dayton, a \$20,000 frame house carries a \$182 rate for full fire, extended coverage; with \$50 deductible it's \$113 a year.

Rising cost of repairs, increasing claims-consciousness of policy holders, inflation also contribute to rising costs, say firms.

For businesses, insurance companies battle back against trend to self-insurance. One weapon is step up in sale of package policies for commercial properties. They wrap together fire and extended coverage plus coverage for many possibilities—including loss to an executive's private belongings kept at the office.

### FOREIGN TRADE

State Department works to end running battle between diplomats, many U. S. businessmen abroad. Businessmen claim embassy folks don't know anything about business; diplomats complain that businessmen often don't give them a chance to be helpful.

New training programs aim at teaching foreign service officers more about U. S. business operations. New ambassadors talk here with executives of U. S. companies operating in lands where they will live.

Washington officials study plan for dispatching foreign service officers to work with various U. S. companies for several months as

way to get feel of business needs.

Foreign Service Institute, the State Department's training arm, soups up its courses for embassy commercial officers. The idea is to provide more contact with businessmen, business school experts. Class members visit plants, banks, confer with executives for a feel of day-to-day business. Others will sit in on seminars with business experts.

One innovation in works would bring to U. S. groups of top foreigners employed in American embassy economic sections abroad. They'd get a three-month cram course in the U. S.

## LABOR

You'll be interested in behind-the-scenes maneuvering over state workmen's compensation systems.

These are the systems that assure employees of most firms payment of medical benefits and other compensation when temporarily disabled on the job. States set their own requirements; employers foot the bills, usually through insurance.

Some state requirements have fallen behind as times change. Laws aim at providing injured worker with adequate replacement for lost income; two thirds is rule of thumb. But some state requirements are clearly inadequate, say business spokesmen working for improvements. Most employers provide adequate compensation anyway, but there are always laggards.

Unions push for federal standards as means of boosting levels. Business leaders say that's not needed. They want employer, labor, insurance teams to push for needed changes in individual states. This usually gets fast action.

Latest tactical move is a suggestion of federal grants-in-aid to states for improving systems. Some consider that opening wedge for federal regulation.

## MARKETING

The pleasing clink of silver coins for retailers may clunk soon.

Treasury will report to Congress within a few months on the possibilities for changing the alloy used

in silver coins—dime, quarter, half and silver dollar. Chances are high it will recommend reducing or eliminating silver content. Biggest problem comes from armies of vending machines. Their innards judge coins by conductivity of electricity, a property that would change as silver content changed.

Silver is short world-wide. Use of over 420 million ounces a year is about double world output. And the gap is widening. U. S. Treasury stocks are now down to 1.2 billion ounces and slipping as demands rise.

Biggest industrial user is photography, which takes over 30 million ounces annually. Increasing numbers of appliances need silver for electrical contacts.

Treasury presently pegs price at \$1.29 an ounce, a hair under the point where it becomes profitable to melt silver dollars for industrial use. Cartwheels are just a shade less pure than sterling—900 fine to 925 fine. It's easy to turn them into jewelry metal.

Rest of silver coins contain slightly less silver, will head for melting pots when price tops \$1.38.

For more on precious metal problems, see Natural Resources.

## NATURAL RESOURCES

Flurry of activity will come this spring in search for new gold, silver deposits. Interior Department officials report that last fall's sweetening of federal subsidies for silver prospectors has boosted requests for aid. New approvals, new mining will start when warm weather opens up secluded sites.

U. S. will pay up to 75 per cent of costs on silver exploration projects; up to 50 per cent for gold.

No one expects big finds that will solve shortages.

U. S. gold production totaled 1,440,000 ounces or \$50.6 million in 1964. World output is about 51.7 million ounces—1963's figure. That counts an educated guess of 12.5 million ounces for Russia. South Africa's 27.4 million ounces in 1963 led the world.

Monetary men bemoan shortage of gold for world's vaults. It's needed as backing for the dollar, other

currencies, and provides needed liquidity for financing rising world trade.

## TAXATION

Coming up on Capitol Hill is deep study of a little publicized bill highly important to the financial community, federal tax collectors and many businessmen.

It would set new ground rules on collections of liens on debtors' property—who gets what priority, where do federal tax liens line up in relation to private creditors?

American Bar Association, federal tax men generally back the measure. House Ways and Means Committee considers the subject. Proponents say bill would protect today's methods of financing business. Present rules were enacted in 1913.

One example: A factor who finances business accounts receivable must now protect self by checking daily to see if federal tax liens have been filed against his client. Bill would enable him to check only every 45 days.

Treasury seeks better weapon to collect withholding tax payments due from balky employers.

## TRANSPORTATION

Truckers' search for lower costs brings campaign in Congress for higher weight and size ceilings governing trucks using U. S. interstate highway system.

Present federal ceilings are 18,000 pounds on single axles, 32,000 pounds on double axles. Commerce Department recommends raising these to 20,000 and 34,000 pounds, thus opening way for trucks to carry more weight in many states.

Truckers say new highway construction standards permit at least this boost; opponents charge heavier trucks break down roads faster. Battle gets tangled with broad new congressional look at financing U. S. highway program, proposals of higher user charges.

What lawmakers do on highway issues can affect your transportation costs, relative competitiveness of various carriers.

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MEMO TO FILE:

Final arrangements have been concluded with the ABC Television Network for the telecasting of the first two shows in our United Nations series.

"Carol for Another Christmas", produced and directed by Joseph L. Mankiewicz from an original story by Rod Serling, will be shown on Monday, December twenty-eighth, 9:30 - 11:00 E.S.T.

"Who Has Seen the Wind?", produced and directed by George Sidney from an original story by Ted Moseley and screenplay by Don Mankiewicz, will appear on Friday, February nineteenth, 9:30 - 11:00.

We should immediately proceed to make arrangements with ABC for proper announcement of these air dates throughout their network and the trade press.

DLC:SJP  
November 18, 1964

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# OLD AGENCY UP TO NEW TRICKS

Plan is now brewing to bring Washington policies closer to nine tenths of America

YOU'RE A BUSINESSMAN planning to construct a new plant. Whom do you check with on possible financing? Why, the U. S. Department of Agriculture, of course.

You're the mayor of a small city seeking a tonic for its economy. Who will write the prescription? The Department of Agriculture.

You want to build some homes in a rural area? That's right, you look to the Agriculture Department.

As incongruous as it may seem, the government's experts on farming are making a pitch to get into all of these and more activities in the nine tenths of America not covered by large cities. These officials already are engaged in some seemingly extracurricular activities. But they'll get a chance to do much more if a program being pushed by the Johnson Administration takes hold.

It's an elaborate program for rural renewal, as President Johnson characterizes it. The effects could well extend far beyond farm communities.

What it means, if Congress goes along, is a batch of new federal social-type programs for people

who live on farms, in small towns, in small cities and even in the suburbs of metropolitan areas. It can extend the federal government deeper into affairs of smaller cities and counties. And it could make the Agriculture Department the spokesman for all Americans living outside metropolitan areas, just as many urban interest groups would like to establish a cabinet-level Urban Affairs Department in Washington.

In fact, the 102-year-old agriculture agency may even get its name changed in an attempt to establish claim to its broadening empire: Department of Food, Agriculture and Rural Affairs.

For the businessman, the new campaign means that more say-so in local business affairs could come from federal officials—especially from Agriculture Department aides.

And the financing or other supposed benefits of the prospective new program surely would have the customary controls and entanglements of government-run, government-subsidized affairs.

The proposals clearly would affect not only the 14 million people on farms and the 40 million others who live in towns with less

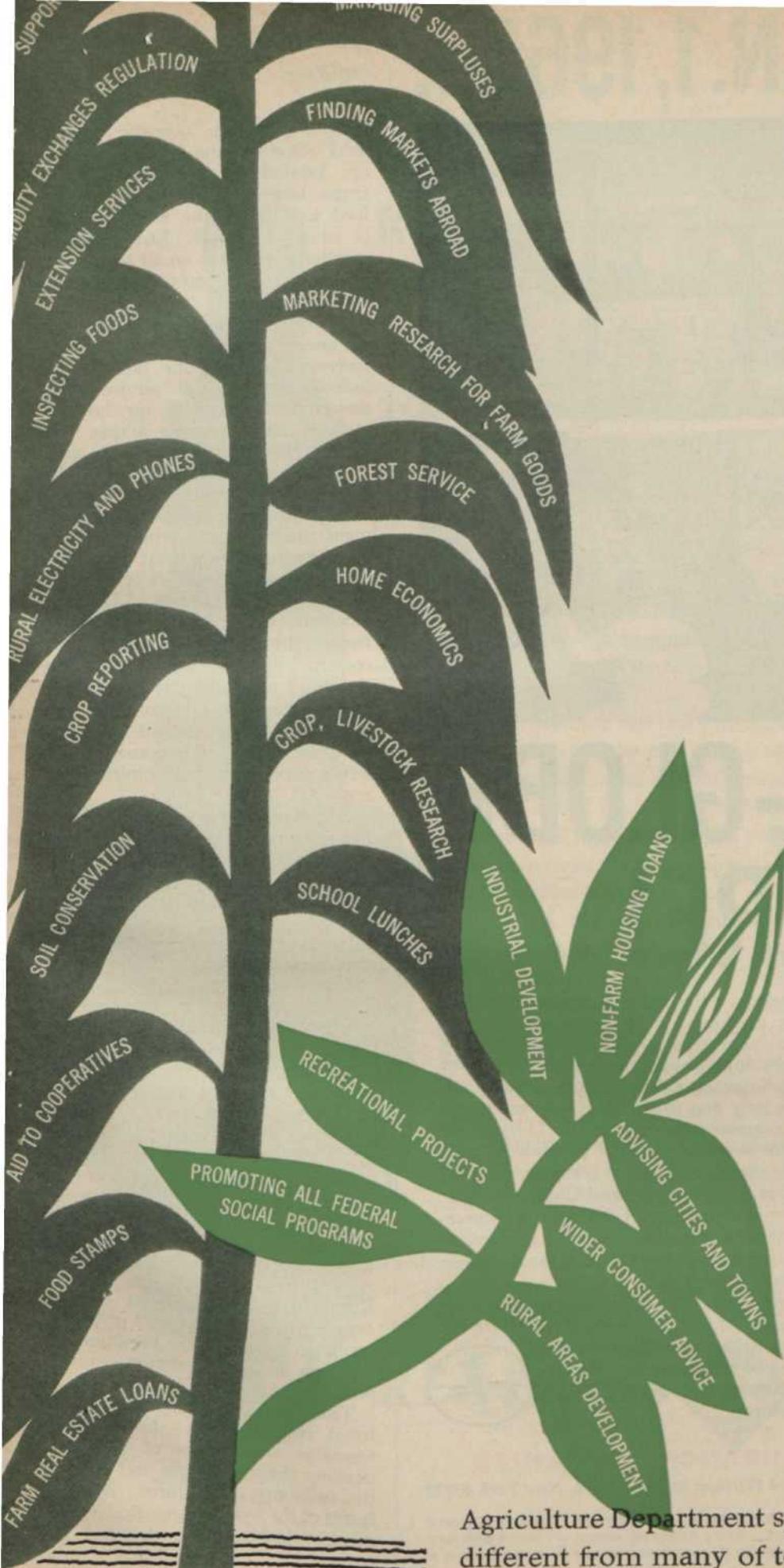
than 2,500 population but also some 25 million in small cities and even others within rapidly urbanizing metropolitan areas.

#### **Prospects in Congress**

You can expect to hear considerable battling over the planners' ambitions when they face full consideration in Congress. Administration forces count on support from the large numbers of liberal-leaning lawmakers elected in November. Thus the emphasis on fighting poverty, beautifying the countryside and improving rural education. All these talking points can be calculated to warm the hearts and win the votes of city-based liberals who might otherwise have little direct concern for farm problems.

But many in Congress who have the most influence over farm legislation consider such social schemes as of secondary importance.

"Yes, sir," asserts Chairman Harold Cooley of the House Agriculture Committee, commodity programs rank "much higher" in value than do more rural welfare activities. He tells NATION'S BUSINESS he considers such Agriculture Department operations of



Agriculture Department sprouts new social schemes different from many of today's tasks on main stalk

little importance without commodity programs which work. Congress this year must take up basic legislation dealing with many major farm commodities including wheat, cotton, sugar and feed grains.

As just one example of what planners have in mind for this multifaceted program, John A. Baker, assistant secretary of agriculture, sees what he calls a credit gap between city and country in the availability and interest rates of money needed for financing construction. Administration officials want the federal government to close this purported gap through broad new programs of direct lending, guaranteed loans or participation with private financial institutions in financing of projects.

The stepped-up federal credit activity would go for construction of housing and community facilities such as water systems and libraries, or even lending to businesses seeking to expand into rural areas.

The Administration men also plan to help local areas, whether small towns or counties, improve school systems which they say currently suffer from a shortage of funds to provide education equal to that in more affluent school districts.

Other segments of the scheme amount mainly to extending and expanding such present programs as those paying farmers to take cropland out of production and helping finance farmland recreational facilities—campsite and hunting facilities.

But the part which most worries many critics is what Administration forces refer to as common sense specialization. It's an idea which in effect would turn Agriculture Department officials into salesmen for all federal programs to everyone living outside of cities.

The federal thinking goes this way:

Uncle Sam has many programs designed to help various groups. As starters, there are small business loans, Defense Department contract sharing, handout programs for many building activities, training programs for workers and the new poverty law provisions for job corps camps for unemployed youths.

City dwellers learn about these

# JAN. 1, 1965...



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### UP TO NEW TRICKS

*continued*

federal programs quickly because field officers of the federal agencies are located in the cities and because larger organizations can afford to hire people to keep track of what's available. But people in smaller centers, in small towns and on farms can't keep up with what's available.

Therefore, the Agriculture Department should inform the non-metropolitan millions how to get federal dollars and advise other government agencies on how to spread the money across the countryside. So the argument goes.

"Cities are sophisticated," adds Mr. Baker. "People there read the official announcements of government programs and whenever they see something they want they come clamoring in to get it." He tells NATION'S BUSINESS, "The Agriculture Department already has two or three offices in nearly every county in the country. Why shouldn't we make our office structure available to provide other programs with what we call 'outreach' to these areas. We consider ourselves expeditors, not empire builders."

Secretary Freeman, who claims federal services tend to "stop at the city line," declares: "We can—and should try to—find ways to help the agencies that have expertise and specialized services in these fields to make those services effective to the same degree in rural as in urban areas."

This raises the question of whether these agents would simply inform or would do considerable pushing of government programs as has happened with various programs in the past.

#### Strategy for takeover

A prime example of how the federal government can push its programs on communities, often bypassing local as well as state government leaders, lies in the Agriculture Department's present Rural Areas Development (RAD) organization. The RAD setup is considered one of the keystones in building an expanded rural welfare program.

This program is supposed to help local communities—small cities, towns or even groups of counties—develop their resources and step up the economy of the area. Subsidy funds of the federal Area Redevelopment Administration destined for



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## UP TO NEW TRICKS

*continued*

rural areas go through the RAD program. This gives the Agriculture Department officials money to allocate for industrial and other projects.

Theoretically, leaders of any particular rural community concerned about its economic stagnation can organize a committee, approach the RAD officials and ask them to work with the community. These committees often get into everything from local education to industrial loans. Then the RAD people name a technical action panel to work with the committee.

Panel members are mostly the area representatives of federal agencies. This panel is then supposed to advise the local leaders on what is available in the way of lending programs or technical advice. Then it's up to the local committee to move ahead.

What actually happens in many cases is wholly different, according to Agriculture Department officials.

A county agricultural extension agent will often approach some leading citizens in a community and "suggest" they set up an RAD committee. This often means avoiding elected officials or other established, recognized civic or county bodies.

When the individuals agree to serve on this committee, the rest of the machinery cranks into action. One of the latest twists is for the Agriculture Department to encourage the local committees to incorporate. This transforms a more or less ad hoc citizens group into a legal unit qualified to receive various federal funds, float loans and take other action.

Even more seriously, though, there's evidence that federal agents sometimes try to push communities into operations for which local people have little desire.

"Two or three county extension agents have been fired by local people because they pushed an RAD program," one informed Agriculture Department aide concedes. County extension agents are paid one third by Uncle Sam, one third by state governments and one third by county governments, leaving control of hiring at the local level.

Such incidents contribute to the opposition of many local groups throughout the country to federal intervention in community affairs. The opposition felt in many places

boiled to the surface in December when the influential American Farm Bureau Federation, biggest of the farmer organizations, took this slap at the Rural Areas Development program:

"Rural people, organizations and communities have participated for many years in efforts to improve the economy of their areas. This objective should be primarily the responsibility of local people."

"There is little evidence to indicate that efforts of the federal government to provide leadership in the development of rural areas have been of material assistance or that federal expenditures for this purpose have made any significant contribution to the achievement of the stated goal."

"In some instances government loans represent unfair competition to individuals who have risked their capital in competitive enterprises. Personal influence and political considerations inevitably affect the distribution of funds under this program," says the Farm Bureau statement. "We oppose extension of the authorization for such expenditures."

### How RAD would grow

The Agriculture Department has nine staffers who work out of Washington with state RAD groups now. Officials want to hire close to 100 in all so they can assign two to each state to push these programs.

Indeed, RAD has never received direct congressional endorsement. It was set up by an administrative action within the Agriculture Department by Mr. Freeman. Nevertheless, the government has been able to lump a sizable nugget of funds from a group of different programs into a rural community development program, much of it administered through the RAD office.

The total for the current fiscal year is over \$25 million in direct appropriations and \$26 million in lending authority.

The biggest chunk of funds comes from an agency with the initials FHA which is little known to most citizens. It's the Farmers Home Administration and handles a number of grant and loan programs to farmers for real estate and similar purposes. It makes up over \$12 million of the rural community development program's spending this year and all \$26 million of its lending authority. Yet, that is only part of its activities.

FHA's doings illustrate how the

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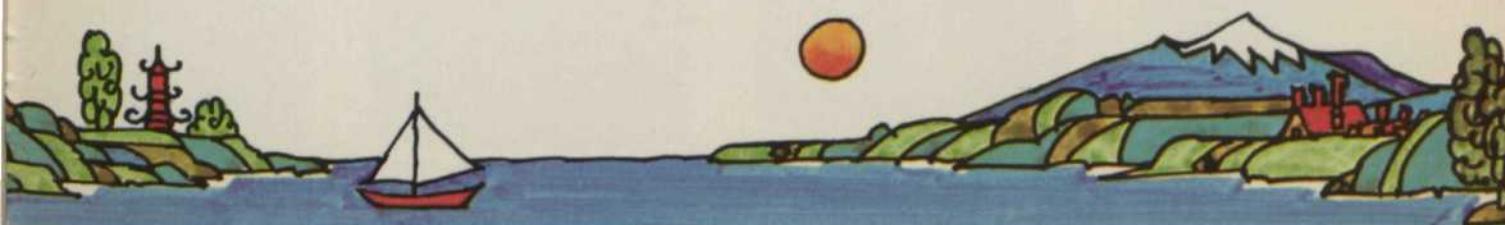


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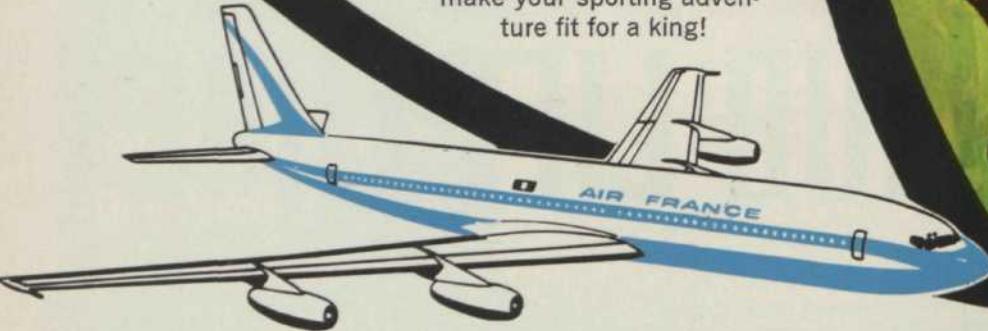
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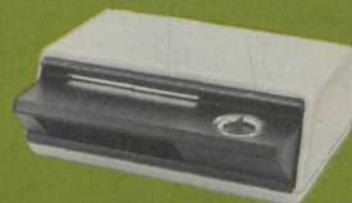
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## UP TO NEW TRICKS

continued

Agriculture Department has already begun edging beyond the farming sector of the economy. It has taken over from the other FHA—Federal Housing Administration—a program of direct loans to people living in rural areas who want to build nonfarm homes. President Johnson has pegged the lending level at \$120 million this fiscal year.

Farmers Home even gets into the apartment business. It insures loans for construction of apartments and other rental housing for elderly folks in rural areas, including small towns.

Another development now under way will give the agency that's supposed to look after farmers a vital beachhead in the cities. Home demonstration agents, women who show how to keep house neatly and economically, are going to begin working in housing projects in many cities throughout the country in cooperation with the federal Urban Renewal Administration.

### Facts of farm life

Behind the push for broader non-city social programs lie new trends in official thinking which recognize two separate sides to the nation's agricultural problems, one economic and the other social. Most—78 per cent to be exact—of all farm sales come from only 27 per cent, or 978,000, of the country's 3,573,000 farms.

These larger farms each sell at least \$10,000 worth of products annually. In general, these are farmers with highly efficient, lower-cost operations. Many of them believe government rules and regulations on production and marketing of their crops hamper rather than help them.

Federal price-support programs for major crops, however, aim in general at enabling small, often inefficient farmers to earn enough money to support their families. Many economists contend that this system leads to surplus output of farm commodities and a funneling of large amounts of federal cash to larger producers.

Therefore, they argue, government farm policies should take into account the dual nature of farm problems. They say the U. S. should aim its commodity and production policies at the relatively small group of farms that produce the bulk of our farm goods, and

shape outright social welfare programs to ease the transition of other farm groups into lines of work which pay better.

The difficulties of working out such a program are human problems, experts recognize. How, for instance, can a congressman from a farm district support programs which would force many of his constituents to change their livelihood or move to cities?

An influential member of Congress points up the dilemma this way in a private conversation:

"I think we can all see that the days of the small farm are numbered. We can all see the handwriting on the wall. Without present federal commodity support programs, for instance, the old South would be out of the cotton business. But I'm in favor of stalling off the end of the small farm as long as possible."

The decline of the small family farm and the exodus of many persons from rural areas shows up in census figures. The size of the farm population has been dropping about four per cent a year. The total rural population—counting the increasing number of rural residents who don't live on farms—slid approximately one per cent to 54 million people during the 1950's.

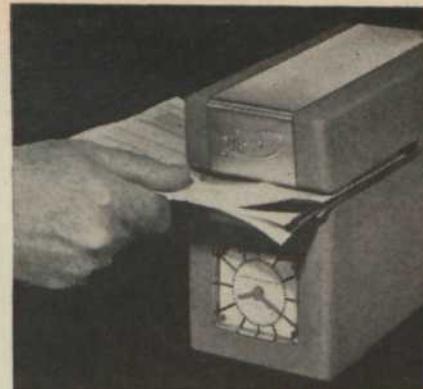
By 1970, the number may rise by one million despite an enormous surge in the total population, estimates Calvin L. Beale, the Agriculture Department's top population expert. He expects any gains in rural population will consist of non-farm residents.

The exodus of farm people, of course, has been mainly in youths headed for better paying jobs in cities and towns. "The departure of young farm people has been so heavy that the number of births in the farm population is now declining due to the shortage of potential young parents," Mr. Beale reports.

Facts such as these with their impact on local business, tax revenues and community services are pushing agricultural experts to look further into social projects for rural areas.

One of the big questions remaining concerns the extent to which the federal government can helpfully get into many of these local problems.

The coming discussion of the Agriculture Department's plans for expanding further into social schemes covering everyone from those living in mountaintop cabins to those on Main Street may throw light on what's ahead. **END**



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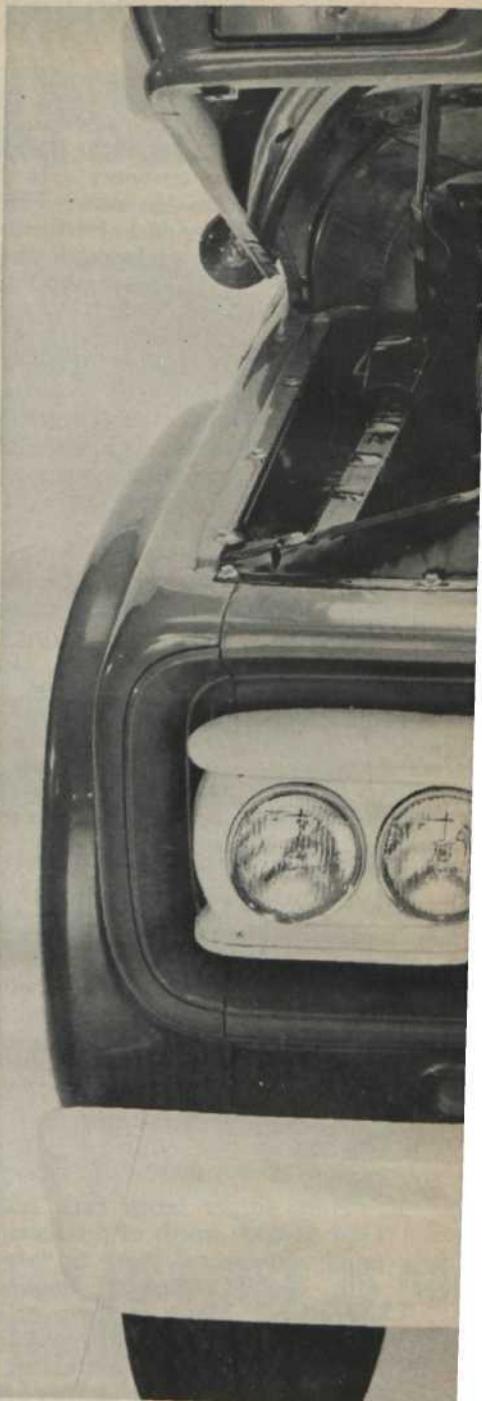
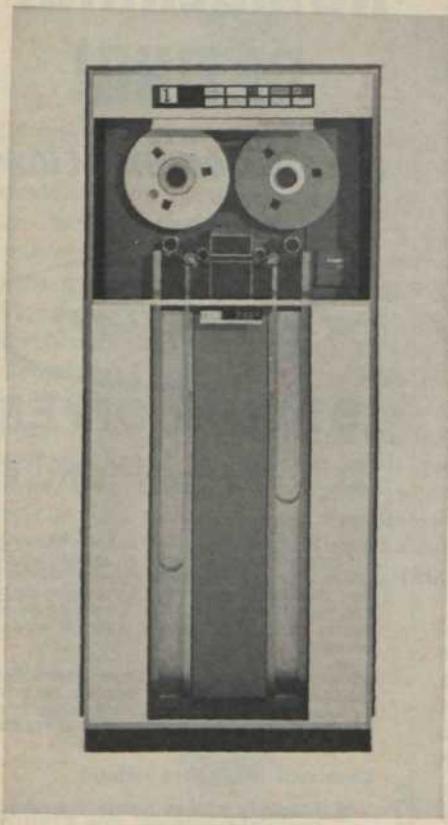
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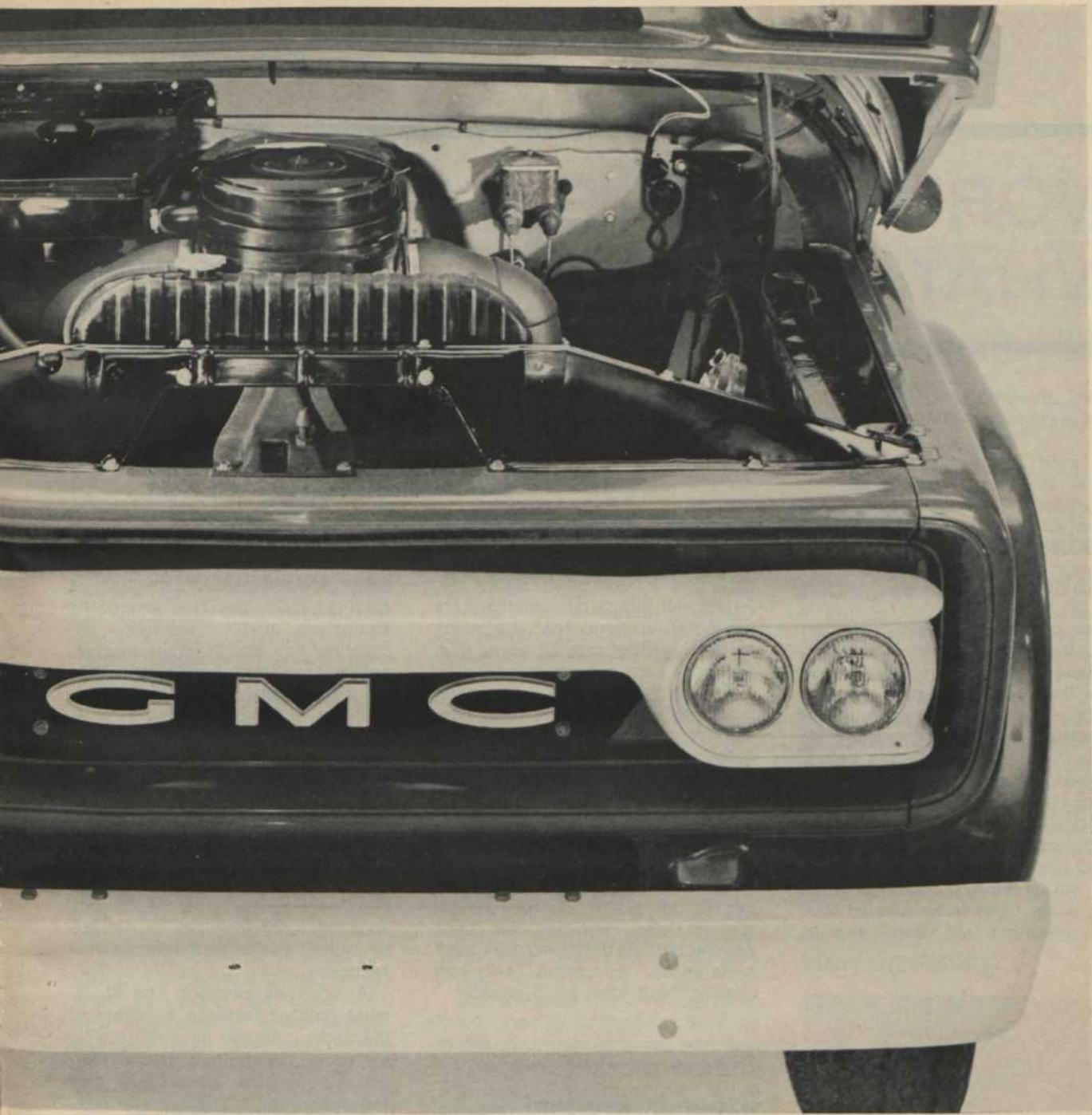
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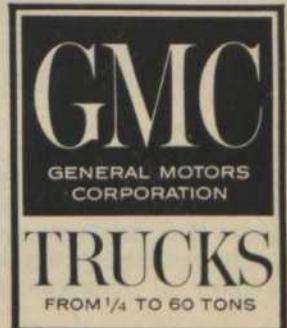


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# WORLD BUSINESS: WHAT TO EXPECT

Special quarterly report  
for Nation's Business by  
the respected Economist  
Intelligence Unit, London

## Today's best customers

More of America's top customers will be European. Western hemisphere buyers are ordering less now than 10 years ago.

Only two western hemisphere countries are in the current top 10; they mustered six a decade before. Instead, six European countries are among today's biggest customers for U. S. exports.

Canada has been a consistently good business neighbor, still heads the list of buyers of U. S. goods and is not likely to be toppled from its high perch for years. But its

since 1953 and has a solid grip on second place. In particular, its rocketing imports of U. S. raw materials and industrial machinery are fueling an economy that is growing at the startling rate of more than eight per cent a year.

Farther down the list there's much jostling. Political and financial troubles have pushed all the Latin American countries except Mexico out of the top 10 buyers' list. The economic boost which the Common Market has given Europe so far—whatever the political difficulties—has brought the largest five of the six member countries bounding into top place. Personal spending in these countries has been soaring and, despite their own tariff preferences, Europeans are still chasing hard after U. S. goods.

## Indian market expands five-fold

Since 1953 U. S. exporters have upped sales to India more than five-fold. By 1959 America had replaced Britain as India's leading supplier. In 1963 Americans were providing 28 per cent of its total imports. And the story isn't over. Exports in the first nine months of 1964 were running well above '63 levels. Not bad for a country with difficulty paying its way and chronically short of foreign exchange.

U. S. government assistance has aided India in making the leap. In the past four years the United States has pumped nearly \$2 billion into India. This has paid for a great deal of the goods shipped

there. The bulk of U. S. sales to India consists of food grains, raw cotton and industrial items, such as machine tools, electrical generating equipment, textile machinery, excavating and construction machinery and military hardware. Sales of metal products and chemicals also are running well. But imports of consumer goods are stringently controlled by government licensing.

During the next five years or so the going in India will be tough. For capital goods, deferred payment terms will continue to be necessary. But for the company on its toes there will continue to be tremendous sales opportunities, particularly United States and international agencies.

A word of caution: The U. S. must hold or increase its share of the Indian market in the face of stiffening competition from Western Europe, the communist bloc and Japan.

## What makes Japan run

Any nation that can increase export earnings as sharply as Japan has in recent years has something beyond the ability to make up ground lost in the war.

"Yes, cheap labor," is the bitter comeback of many a western industrialist who has had to compete with the Japanese. Japan's wages are lower than those in the U. S. and western Europe. But the gap is not as great as the western salesman who has lost out to a Japanese competitor likes to suppose.

Take shipbuilding, one of Japan's

AMERICA'S TOP TEN CUSTOMERS

(in millions of dollars)

	1954	1964*	
1. Canada	\$2,793	Canada	\$3,921
2. Britain	706	Japan	1,536
3. Japan	684	Britain	1,186
4. Mexico	644	West Germany	1,065
5. Venezuela	545	Mexico	868
6. West Germany	499	Holland	802
7. Brazil	478	India	787
8. Cuba	436	Italy	667
9. Holland	424	France	854
10. Colombia	349	Belgium	508

\*Figures for 1964 cover exports from January through October. Final figures on 1964 exports from U. S. will not be available until this month.

lead is shortening. Other markets, notably West Germany and Japan, are growing at a much faster rate as far as U. S. goods are concerned.

Japan has dramatically increased its intake of American products

biggest success stories. Japan is now building more ships than anyone else. She recently snatched a series of orders from British shipping companies from under the proud noses of British shipbuilders.

Japanese shipyard workers have been earning \$112 a month on average; British workers \$168. But—all Japanese workers get yearly or twice-yearly bonuses of as much as three months' wages. Also, Japan's shipbuilders, like most large companies, provide workers with housing, hospitals, gymnasiums, health resorts, shopping subsidies and transport allowances.

Japan's wage bill is rising fast too—by about 10 per cent a year over the past decade. And the wage gap between the small firms and the giants of Japanese industry is narrowing. Wages in firms with fewer than 500 workers are now between 80 and 90 per cent of those in the all-purpose combines.

A higher wage bill will not necessarily mean Japan will imitate many of its western models and price itself out of export markets. Japan's enormous increases in productivity have handsomely absorbed its large wage increases. Lately this trend has been reversed. But you can expect many more improvements in productive efficiency.

Japanese are sensitive about subsidies. They know it is mainly their price advantage that gives them their edge over U. S. competitors. Any talk about their prices being unfairly low meets vehement but polite denials. They insist industry does not receive direct subsidy or tax concession from the government and challenge you to refute this.

All the same, the government-affiliated Import and Export Bank of Japan does finance export deals for complete plants, industrial equipment and ships.

Industry certainly enjoys advantages on the capital market and can borrow up to 80 per cent of the value of a contract on a five-year loan at about 5.5 per cent interest. This is well below the eight or nine per cent normal rate within Japan and below international rates.

It is also true that the thriving Japanese home market is used to subsidize the export effort. Steel for export work is presently quoted

at around \$106 a ton; Japanese customers have to pay \$126 a ton.

Not that Japan is the only country where this is done. Many firms in the West have trimmed margins on export sales to keep orders up and to spread overhead over greater output. The difference is that Japanese firms do this in good times as well as bad.

## Trading with unrecognizables

You don't need to recognize a government to conduct a flourishing trade with its people. This much is clear from Japan's have-your-cake-and-eat-it policy toward China. Japan is ostensibly America's bulwark against communism in Asia. But its low-temperature diplomatic policy has brought it trade gains in communist China, a market with a potential of 700 million people.

Two-way trade between Japan and its less and less inscrutable neighbor reached \$136 million in 1963. Last year this figure jumped to something over \$200 million. This year it will continue to climb.

Still only three per cent of Japan's total trade is conducted with mainland China (though it represents eight per cent of China's total).

But powerful pressure groups in Tokyo want to push the volume up to pre-war proportions—no less than 40 per cent. A turnover of \$4 billion, what it would amount to, is unrealistic. But the economies of these near neighbors are strikingly complementary.

China needs vehicles, fertilizers, chemicals, machinery and entire plants. Japan needs raw materials—coal, iron ore, tin, foodstuffs.

## Why competition boils in affluent Europe

Biggest cat among the free trade pigeons—Britain's 15 per cent import surcharge—will not only hurt U. S. sales to Britain, it will affect exports to continental Europe.

This surcharge is hitting Common Market and EFTA countries

harder than U. S. exporters. A wider range of their goods is affected by it. This is bound to divert more of their attention to their continental neighbors where they will also meet at least three categories of insistent salesmen.

First, U. S. exporters anxious to make good on cutbacks in orders from the U. K.

Second, British salesmen trying to wipe out 1964's biggest-ever payments deficit.

Third, representatives from the ever increasing number of American-owned companies in Europe.

The continent is therefore likely to be a cauldron of competition in 1965. Even so, there are chances of nearly \$8 billion worth of sales to Europe. Six dollars out of every 10 earned in Europe are likely to come from Common Market countries. West Germany and Holland will offer the biggest outlets.

The boom in these countries will go on for the first half of 1965 at least. Consumers' choice there is becoming more sophisticated. This is where U. S. salesmen should score. Sales of machinery and equipment should also rise—the West European is becoming a technological animal—but competition will be tough.

## How an Asian steals the show

An Asian salesman in Asia has his advantages. He knows instinctively how other Asians conduct business.

Recently a large contract for telecommunications equipment in Indonesia was put out to tender. Representatives from competing firms in the U. S., Britain, Japan and Europe gathered in Djakarta to bid.

The Japanese representative carefully selected one of several envelopes from his briefcase and quoted a figure slightly under the previously lowest bid. His bid was the final one. The Japanese salesman is well aware that money laid out to assure his having the last public bid is an investment with a high yield. More particularly, he knows that many an Asian official expects a kickback.

END



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## COMPETITION

*continued from page 39*

laboratories includes many that are substitutes for existing products or are significant improvements upon them. The dramatic changes in cortisones illustrate this development in the drug industry.

Not only are other companies seeking to develop new products which will compete successfully with existing products but within a company a similar search is often under way.

### Cross-industry competition

The Dow Chemical Co. summarizes the new competitive situation this way:

"The chemical industry, historically competitive, has become a most strenuous testing ground. New competitors—diversifying from other fields, or starting from scratch with package plants, or coming from overseas—almost outnumber our long-time competitors."

The shift from product shortages to surpluses reflects the increasing competitive pressures in many industries. The enormous expansion in capacity to produce electrical appliances, for example, has been accompanied by almost continuous price pressures for many products, particularly refrigerators.

### New competition

The number of companies producing a product can be increased by the organization of a new company, an extension of product lines by companies already in the industry, and by the entry of established companies whose main area of operations is in other industries or overseas.

All three alternatives are important.

Of great importance is the significant penetration of the American market by foreign-made products.

This type of expansion should grow rapidly in the years ahead.

The result is a broadening of the size of geographic markets and an increase in competition from and among overseas companies. This development is adding a new and important dimension to competition.

One thing about future competition is assured. As the years unfold, consumers will benefit through better products at reasonable prices. And imaginative executives will thrive.

—JULES BACKMAN  
Research Professor of Economics  
New York University

Above, Chevelle 300 Deluxe 4-Door Sedan. Below, Chevy II 100 4-Door Sedan.



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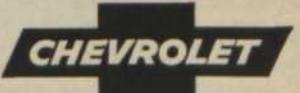
There's a wide choice of power teams, models and morale-building features you'd look for in far costlier cars. So look it over. It's easy to spot—beautifully sized in between Chevrolet and Chevy II—Chevelle for '65.

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Its smart new styling, practical interiors, many easy maintenance features and solid Chevrolet value make Chevy II an attractive, practical fleet buy. So before you invest, check Chevy II. . . . Chevrolet Division of General Motors, Detroit, Michigan.



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# HOW TO KEEP FROM GOING OUT OF STYLE

Rapid changes in the business world increase the executive's problems of job obsolescence. Here's how to combat it in yourself and others

**EXECUTIVE OBSOLESCENCE** is a problem for almost all business.

It probably always was; the malady is not new. But today it is more evident and more critical.

It's more evident because the current emphasis on performance appraisal is bringing to light many obsolescent and obsolete executives who might have escaped notice in the past.

It's more critical because, due to the rapid changes that are taking place in the world today, more executives are in danger of becoming obsolete at an earlier age.

This means:

- You must learn to identify the symptoms of obsolescence not only in your fellow managers but also in yourself.
- You must face the unpleasant prospect of being required to deal with men—many of them shockingly young—who become obsolete.
- You must find ways to prevent obsolescence.
- And at every stage in the game you must cope with the debilitating effects that executive obsolescence has on any company.

Unfortunately, none of these things is easy to do. Executive obsolescence has been given surprisingly little study. However, talks with a number of businessmen and consultants yield some useful facts about it and a number of suggestions for dealing with it.

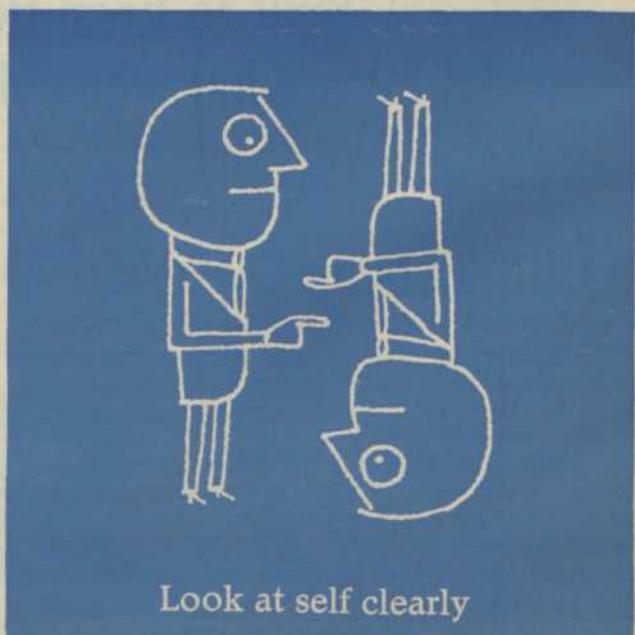
#### **What causes obsolescence?**

Obsolescence is no respecter of titles, occupations or fields of endeavor. It can infect anyone.

A case in point was a vigorous, tough, imaginative manager who was elected president of a large

company at 50. He completely reorganized the firm and doubled its already fast rate of growth. But long before reaching mandatory retirement age, he began to show unmistakable signs of obsolescence. He didn't recognize them, however. And his board—largely because it was his board, admiring and appreciative—was no more perceptive or willing to face facts. So, for the last few years of the man's regime, the company coasted while its once outdistanced competition made sharp gains.

How many other chief executive officers are obsolescent or obsolete nobody knows. John A. Patton,



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## HOW TO KEEP FROM GOING OUT OF STYLE *continued*

a director of several companies, maintains that many entrepreneurs who succeed in building major businesses because they have extraordinary energy, imagination and initiative eventually become obsolete because their strengths do not lie in administration. Obviously, the same thing cannot be said of executives who reach the top as a result of all-round management ability. But the fact remains that you cannot overlook the possibility of obsolescence in a top man just because he is at the top.

Nor can you overlook the possibility of obsolescence in yourself or in any top, middle or lower-management man. The reason is that obsolescence, unlike a physical disease, has no one specific cause. There are so many possible causes that it takes an alert man to avoid them all.

Probably the most common of these is the increasingly rapid advance of human knowledge. This is especially troublesome in technical and scientific fields.

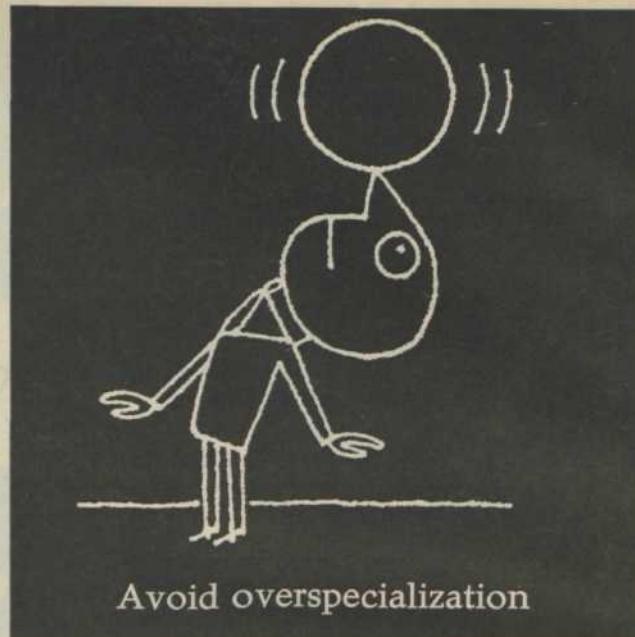
"Obsolescence is the engineer's No. 1 enemy today," says Carl Frey, executive secretary of the Engineering Manpower Commission of the Engineers' Joint Council. "Technology has been advancing at such an accelerated pace that individual engineers are unable to keep up with new developments in their field. We use the phrase, 'the half life of the engineer,' to describe what can happen. We mean that, if an engineer stops studying when he comes out of college today, technology will pass him by so fast that within 10 years he will have lost 50 per cent of his value, or efficiency. Twenty years from now, it may take only about six years for the same loss to occur."

Technical men are not the only ones who become obsolescent because of failure or inability to keep up with advancing knowledge. In a recent American Management Association paper, George Frank, vice president and director of the Middle West Service Co., reported on a study of over 1,000 managers in various positions and industries. The purpose was to find out how familiar the men were with modern management methods. Mr. Frank's findings are disturbing.

"We find evidence," he concluded, "that the final day of college class is the final day of technical and theoretical education for most executives. They exhibit little familiarity with advanced management techniques. They barely recognize the advances made by the social sciences in such areas as communications, participation, motivation and other humanistic aspects of the business enterprise."

A second major cause of executive obsolescence is change—change in jobs, change in products, change in markets, change in procedures and processes.

For example, in one company four out of five departmental accounting heads became obsolete because of failure to adapt to the basic changes that have taken place in the corporate financial function. In another company, hundreds of engineers were laid off when the government suddenly canceled the unique space project on which they had been working. During the long lifetime of the project the men had developed such specialized knowledge that they had become obsolete by general engineering standards and were thought to be unfit for use elsewhere in the



Avoid overspecialization

company. In still another organization the marketing manager had to be retired because he could not keep up with the sudden growth of his market.

Other causes of obsolescence are somewhat less dramatic because they do not appear to affect so many executives. Though not new, they contribute daily to the downfall of countless men. Some of them are:

**Age.** There comes a time when almost all men slow down physically or mentally. When this happens, they begin to become obsolescent.

**Prosperity.** "I've seen this wreck a lot of young men," says Robert C. Townsend, chairman of Avis, Inc. "They're going along well, and suddenly they are made a partner or a vice president or something of the sort, and their pay is doubled. Immediately they become worthless because their new prosperity



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## HOW TO KEEP FROM GOING OUT OF STYLE *continued*

either makes them fearful that they won't measure up, or it makes them arrogant. In either case, they become obsolete."

**Success.** Once a man hits on a successful way of doing his job, he may make it such a part of him that he cannot change even when the method is outmoded.

**Complacency.** Thomas J. Watson, Jr., chairman of International Business Machines Corp., lists this as one of industry's worst problems. A closely related problem is satisfaction with the status quo. Both bring on a euphoria which prevents managers from making further efforts to get ahead.

**Loss of confidence.** Dr. T. A. Jackson, psychologist with the management consulting firm of Case & Co., feels that men often lose their confidence when they find their jobs or their markets growing bigger or faster than they are prepared to keep up with. This, in turn, makes them hesitant, fearful, then obsolete.

**Organization pressures and complexities.** These sometimes depress men to the point where they lose their value to their employers. Dr. Jackson cites a southern entrepreneur who built up a \$3 million dairy business which he then sold to a larger company. He stayed on as manager but soon became confused and frustrated by the big concern's operating methods and demands. Eventually he became so ineffective that he was fired.

"This man was lucky because his period of obsolescence didn't last long," Dr. Jackson says. "If he had been allowed to stay on the job, he might well have become a hopeless case. But as it is, he has pulled himself together and will probably go into business for himself again and do well."

**Lack of direction.** "You might think that management obsolescence would be no problem when an organization is young and growing and everyone is working 16 hours a day and enjoying it," Mr. Townsend says. "But this isn't so. Under these circumstances you can become obsolete if your superior is working so hard that he doesn't take time to discuss your objectives with you in the light of what is going on not only in your own bailiwick but throughout the whole company."

**Basic lack of ability.** Whether this should be called a cause of obsolescence stirs some debate about the underlying meaning of the words obsolescence and obsoleteness. If you agree with one psychologist who maintains that to say a man is obsolescent implies that he was once productive, then you believe that lack of ability does not cause obsolescence. On the other hand, if this seems like hair-splitting, you are likely to agree with the consultant who says that lack of ability causes more cases of obsolescence in executives than anything else.

"There may be many other reasons why men become obsolete on a given management job," L. J. Weigle, corporate secretary of Humble Oil & Refining Co., told a management conference at Northwestern University. "But essentially they all come back to the single fact that the accelerated rate of progress in automation and technology has compounded the problem."

Identifying obsolescence is more difficult than you might think. When you are wondering about another

man, you can't always be sure that what looks like obsolescence is not simply a temporary lapse. And when you analyze yourself you may have trouble avoiding rationalization.

### How to identify obsolescence

Nevertheless, several reasonably reliable tests can be made.

One is to set forth rigorous goals in writing, periodically determine whether you are attaining them and avoid making excuses if you don't.

"It's not enough to say, 'My business is successful, therefore I can't be obsolete,'" says Dr. Walter Mahler, Wyckoff, N. J., psychologist and management consultant. "The merely successful man or organization is most vulnerable to obsolescence because they become self-satisfied. To avoid falling out of step in today's business world, you must keep aiming for new, further-out goals."

A second test of obsolescence is to ask yourself how many things you are doing differently today from two or three years ago.

"A quick definition of an obsolescent manager is one who is unwilling to change, take risks or enter new ventures," says Henry Golightly, New York City management consultant. "It follows that a good way to determine whether you are obsolescent is to ask such questions as: What new products or services have you introduced? What new ideas have you looked for, considered and adopted? How have you changed the physical shape of the company?"

A third test of obsolescence is to ask how your company or department is doing in comparison with competition. This demands real objectivity, because it's all too easy to explain away your failings. "Another thing you must avoid is looking down your nose at your competitors," Dr. Mahler says. "Many men do this. There is one large company—it's the leader in its field—in which everyone is scornful of the No. 2 company. To be sure, the difference in volume is measured in billions of dollars. But it happens that



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## HOW TO KEEP FROM GOING OUT OF STYLE *continued*

in some areas—especially those involving new technologies—the smaller company is well out in front."

Two other indicators of obsolescence, simpler but less reliable, are continued failure to achieve the promotion you think you deserve or inability to understand the new terminology of your business.

### **What if a man becomes obsolete?**

To date this question has received more attention than the more important question of how to stop obsolescence before it sets in. And the answer arrived at by a number of prominent companies worries some executives.

"There has been too much blood-letting," the personnel vice president of a large eastern corporation says. "I know that firing is justified in some cases of obsolescence. And I know this company can't go on being as protective of our people as we have been. But there has to be a better way of coping with obsolescence than tossing people out. I've been working at it for a year and still haven't gotten anywhere."

This feeling is undoubtedly shared by others. The problem of the obsolescent executive is difficult to solve. The only courses of action appear to be redirecting, retraining, relocating, featherbedding and firing. None is perfect.

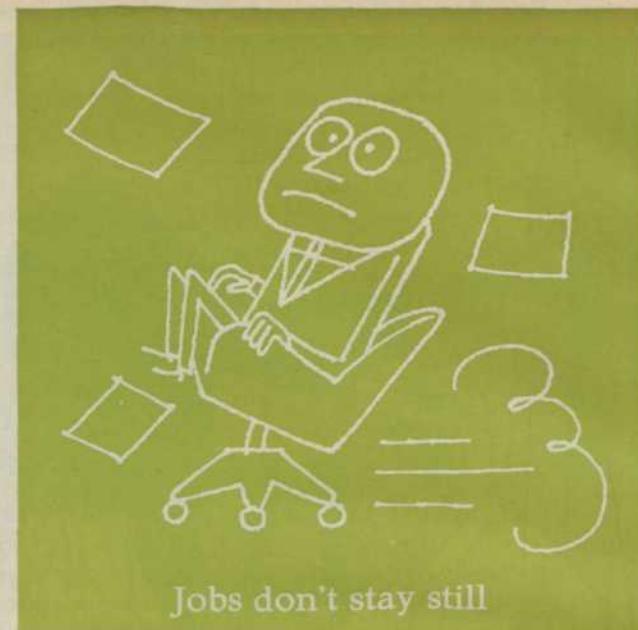
It's possible to redirect a man if he can accept the fact that he is obsolete or in danger of becoming so. Consider the previously cited company president who ran out of steam years before retirement. Says Dr. Jackson: "That man's problem probably could have been corrected if someone had convinced him that his aim should have been not simply a bigger company but a better one. Bigness alone is not a very satisfying goal for the majority of human beings. Doing something better is."

"I don't mean, of course, that all men who become obsolescent can be improved just by changing their goals from bigness to betterness. But if a man can be made to see himself clearly, if he will swallow his pride and if he has the confidence and courage to run the risk of landing in a lesser job, a good guidance counselor may be able to help him become productive again."

Retraining is no easier than redirecting. Mr. Weigle says that only a minority of obsolete men over 50 can be effectively retrained. On the other hand, Frank Coss, research director of Deutsch & Shea, a New York organization specializing in technical manpower problems, reports that a good number of engineers who have been made obsolete by technological changes have been successfully retrained. And Robert A. Whitney, president of Management & Marketing Institute, New York, maintains that many obsolescent sales managers can be restored to full effectiveness by thorough retraining in the fundamentals of business and management.

Mr. Whitney tells of a salesman in the food field who became a district manager. In time, his employer decided he was obsolete and fired him. This happened just a few days before the other district managers were to come in to headquarters for a week's training program.

"The sales manager liked the man he had fired and invited him to attend the program, too," Mr. Whitney

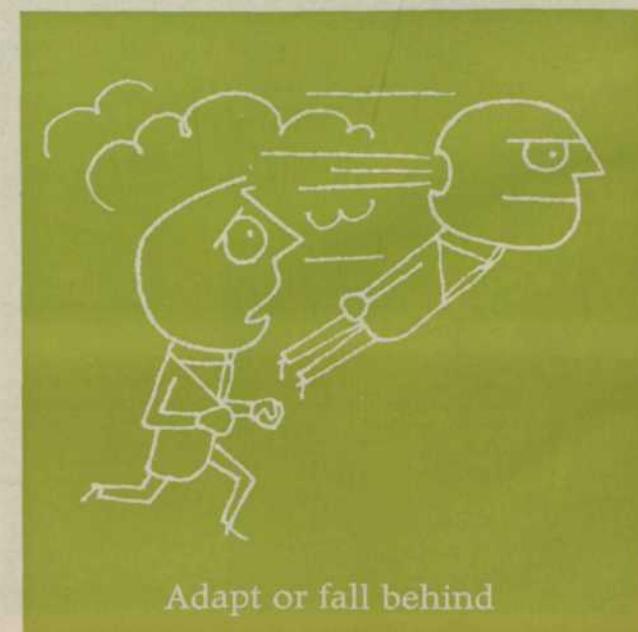


**Jobs don't stay still**

recalls. "Well, by the end of the first day, the man was the star of the meeting and he continued that way through the rest of the week. When the sales manager asked him what in the world had happened, he just said he had finally discovered what a district manager was supposed to do. He was rehired, and today he heads the company's leading sales territory."

The vice president of a chemical company made a comparable recovery when, at the age of 61, he was deemed obsolescent and no longer able to hold down his position as head of a product division. In his case, however, retraining was not the answer. He was simply shifted into a kind of super-sales job where he was responsible for guiding young salesmen, courting key customers and improving relations with the government. He performed with distinction.

"Transfer or relocation of an obsolescent manager



**Adapt or fall behind**

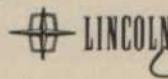
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can't be counted on to cure his obsolescence," one executive says, "but it does just often enough to encourage us to try it with many men we like. Certainly it is a lot better solution—even with managers who have only a few more years to go—than featherbedding. And it is a lot easier than firing."

"Featherbedding may be a way of keeping an old faithful on the payroll, but it can lead to problems for the organization and for the man."

"As for firing, I don't know any job that is so disagreeable, especially when the victim is a fellow manager who has done nothing worse than run out of steam."

### **How to prevent obsolescence**

Because the problem of doing something about executives who have become obsolete is so unpleasant and arises so often, and because the effects can be so injurious to a business, more and more companies and consultants today are looking for ways to prevent the problem before it arises. The answers they have come up with include the following:

*Make education a continuing process.* Says a consultant: "All executives ought to recognize that, to stay on top today, they must have a lifetime of school. Each man should have his own antiobsolescence, self-education program. This should include avid reading about what is happening in his own and other fields; correspondence courses; extension school, and so on."

"I'm afraid, however, that very few executives do anything like this."

John R. Van Horn, manager of professional development in Westinghouse Electric's education department, does not agree. "A manager is under a lot of pressures that make it difficult for even the best motivated to carry on a personal education program," he says. "Furthermore, it's hard to set up a personal education program. These are two reasons why we have developed a four-week, advanced course for engineering management. The main aim of the course, naturally, is to update the educational background of selected management-level engineers. But a second very important aim is to encourage self-education in new fields by making course participants familiar with new concepts and new developments and by giving them a kind of framework on which to build their own self-study program."

Another way to help men continue their education is to offer a wide variety of stimulating, business-oriented courses. General Electric, for instance, has some 400 technical courses for its engineers. (The company also gives innumerable courses in accounting, marketing, public speaking.) These are specially prepared by company experts or university professors; they cover everything from engineering fundamentals to highly specialized subjects of interest only to isolated engineering units. Although attendance is voluntary and the men taking the courses do so partly on their own time, enrollment last year exceeded 7,000 persons (roughly half of the company's total engineering force).

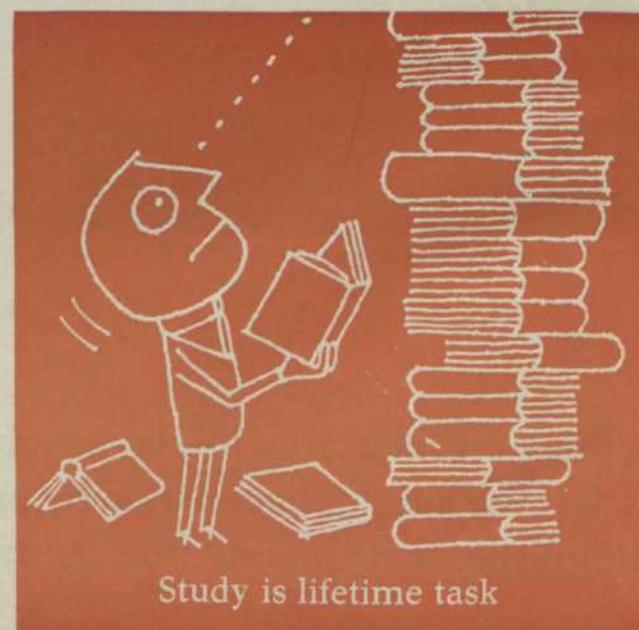
For companies that cannot or do not want to sponsor special courses, the popular tuition-refund

plan (under which a company pays part of the tuition of an employee who takes an approved business or business-oriented course outside the company) is a practical way of encouraging men to go on with their schooling. "Although we have training programs at various levels, we've found this added approach very successful," says Karl H. Kreder, vice president in charge of Metropolitan Life Insurance Co.'s personnel division. "Between 500 and 600 employees—many of them managers—have participated in the program almost every year since we started it. At the end of the academic year, we also give a luncheon for employees who have earned an undergraduate, graduate, or institutional degree during the year. The president is the host. The meeting makes a fine impression and underscores the fact that the company is very definitely interested in having employees broaden their education."

One other way, not to encourage but to compel managers to catch up and keep up with advancing knowledge, is to send them to business school or to invite them to attend other types of special training sessions. The fact that hundreds of companies have programs of this type is ample evidence that they are effective. However, there is also some evidence that such programs are far from being 100 per cent efficient. For example, at least one senior instructor of a widely acclaimed problem-solving course candidly admits that "a quarter to a third of the executives we teach never do grasp what we're trying to get across."

Says C. F. Savage, General Electric's manager of engineering placement and professional relations services: "There is no one perfect way to get men to keep on learning. We use every approach we can think of—from sending men to management courses at Crotonville, N. Y., to encouraging them to write papers for professional societies and to supplying them with reports about what other men in their line of work are doing and saying."

*Avoid overspecialization.* While it is necessary for



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## HOW TO KEEP FROM GOING OUT OF STYLE *continued*

many men—particularly engineers and scientists—to specialize, it is becoming increasingly dangerous for them to grow so specialized that they lose touch with their business in general and are not ready to move into another area if their specialty should drop in value.

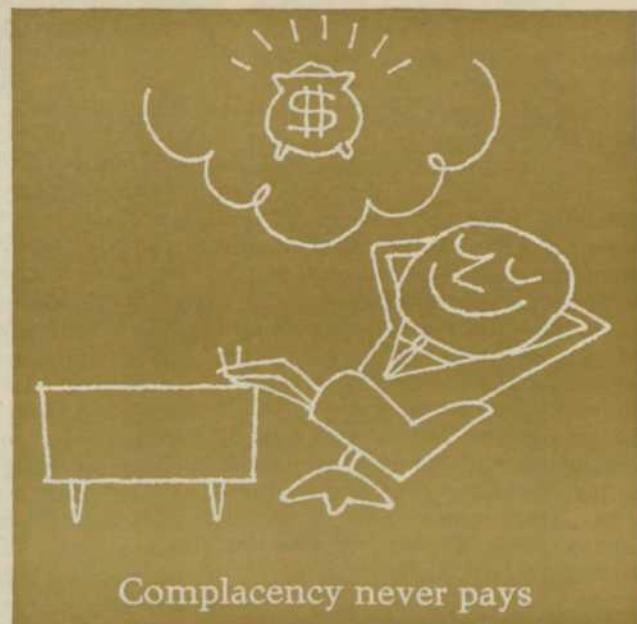
Obviously, a continuing program of study and reading will help you here. But it is also necessary to keep on guard against your own enthusiasm for a specific job and against your company's desire to make capital of your specialty.

*Keep men on the move.* Even though they may be doing superb work in a particular job, don't let them stay there so long that they get into a rut. Move them regularly—every three or four years—into new and more challenging assignments. One consultant maintains that the best procedure is to move executives in zig-zag fashion from line to staff posts and back again.

*Hold periodic review and development sessions.* "I like to stress the developmental aspects of the annual appraisal," Dr. Jackson says, "because you must do more than just point out to a man that he's weak here and strong there. To prevent his becoming obsolescent, you must help him to work out a yearly program to develop further."

*Encourage your men to work toward personal goals.* "There's a definite relationship between obsolescence and aimlessness," observes Frank Canny, of Canny, Bowen, Howard, Peck & Associates, New York executive recruiters. "We see it rather clearly in our work. The man who doesn't know where he is going is most likely to become obsolete. The man who plots his career most carefully is least likely to become obsolete."

Adds Mr. Weigle: "In our large corporations today, with our emphasis on standardization of organization, procedure and policies, we sow the seeds of obsolescence in every new supervisor we indoctrinate



Complacency never pays

with method rather than with objectives and goals."

*Set up a team operation; de-emphasize functionalism.* Union Carbide has used this idea in several of its units, including the president's office; and while no one says specifically that it has prevented the obsolescence of people (this was not a stated purpose of the idea), this would appear to be one of its effects.

Under Carbide's team concept, the men in a department spend about half of their time carrying out the functions that are their primary responsibilities. The rest of the time they assist the other people in the department. Thus every man is likely to play an active part in every departmental activity and undertaking.

The results, according to G. H. Murray, Jr., consultant in Carbide's organization development department, are compound:

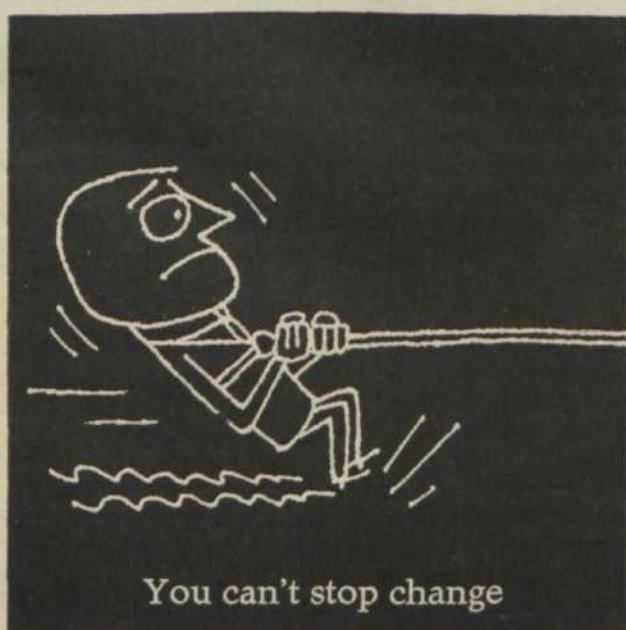
Almost everyone becomes more broadly competent and flexible, believes he can do more work and actually tries to, becomes more interested in achieving the department's goals. And almost everyone feels a greater sense of challenge and opportunity. "Under the circumstances," Mr. Murray says, "it would be pretty hard for a man to become obsolescent."

"But a point that is often overlooked," he adds, "is that, because executive obsolescence has many different causes, there is no one thing you can do to prevent it. A program that does much for two men may do very little for 49 others."

The point is: If you are to cope successfully with executive obsolescence, you must learn more about it and then develop and use the several serums that are needed to inoculate against it.

—STANLEY SCHULER

REPRINTS of "How to Keep from Going Out of Style" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1,000 postpaid from Nation's Business, 1615 H St. N.W., Washington, D. C. 20006. Please enclose remittance with order.



You can't stop change

## YOU CAN LEARN

continued from page 41

tions. This individual is unaware of the fact that he is striking out against his supervisor first because he fears rejection.

Basically these defenses, as seen at home and on the job, are attempts to maintain a sense of personal worth. Unfortunately they sometimes block our objective understanding of ourselves.

As Ben Hecht observed in "Child of the Century": "A wise man knows that he has only one enemy—himself. This is an enemy difficult to ignore and full of cunning. It assails one with doubts and fear. It always seeks to loosen and lead one away from one's goal. It is an enemy never to be forgotten but constantly outwitted."

### Methods for self-study

The techniques for studying personality are very complicated. To penetrate to real depth, you may have to call in the expert. But many of the instruments used by the psychologist to probe into character can be adapted for use by the average executive. Here are several major tools:

#### 1. The autobiographical approach.

Some people may find it fruitful to probe their past, to uncover the critical incidents that helped determine what they are today. This can be done fairly easily, starting out with your earliest memories about the important people in your life.

Be honest in your answers. All children have conflicts with their parents and other adults. Mature people can recognize the nature of the conflicts and understand now what they might not have understood then. If you have this understanding, you are less likely to continue to act out your childhood conflicts in adult life.

Reactions to all kinds of authority are often a continuation of the relationship you had with your parents. A study of your past can help you better handle the present and, most important, it can aid in building a better foundation for the future.

Some key questions that you ought to ask yourself include: What successes in school made you proudest? What were the disappointments in your life? What kind of people are your friends? Which experiences leave the most satisfaction?

But don't look just for dramatic

and easily recalled memories from your past. These may be important, but they're apt to give you a distorted picture. Take a look at the small details that stay with you, that recur whenever you think about the past. These undoubtedly played a part in shaping you.

Thornton Wilder said of his most successful play, "Our Town," "It is an attempt to find a value beyond all price for the smallest events in our daily life."

#### 2. Noting the extremes.

Our highs and lows, the extremes of our emotions and feelings, often provide a clue to the core which lies hidden in our everyday controlled behavior. The unusual is, in effect, an exaggeration of the usual.

Too often we are prone to dismiss the off-beat, unusual event as not typical. "That's not like me," we say and discount it completely. But an analysis of the times we got angrier than we ever supposed was possible or experienced joy beyond what we ever dreamed reveals what we are capable of.

Try this experiment for a week or so. Keep a diary of the unusual things in your reactions. It might be just a fleeting moment of feeling: exhilaration, anger, frustration. Or it might be a lift of spirits that lasts all day. It matters not how long it lasts. What counts is that it's stronger than usual and that you experienced it. Here are the steps that will help you examine the event and uncover its significance:

Jot down the feeling and as much of the details of its cause as you possibly can capture.

It is best to accumulate at least five different types of situations before you are ready to examine and review them.

When you have recorded enough separate items to form a picture, look at them in relation to each other. Is there any common thread or pattern? Is there a special time of the day, a particular individual, a problem or situation which appears repeatedly? What is your role in each situation? Are you the bystander or an active participant? What did you contribute to the good situations? What about the bad ones? Do you think that you can predict your behavior better now than you could before?

Review those events that involved other people, playing them in your mind like a movie. But make this big difference—change your role. Try to picture yourself in the role of the other person. See if the story unfolds in the same way. You'll learn much about yourself by trying

to fit yourself into the shoes of people to whom you react strongly.

#### 3. Changing routine.

We all tend to become blind to the familiar and accustomed things around us. Until a visit from a stranger jolts us into looking at our surroundings through his eyes, we may remain unaware of the most obvious facts.

More important, we often lose ourselves in the rush of daily pressures, becoming insensitive to our own reactions.

Maybe you can't take a few weeks at the shore but you can accomplish the same thing in other ways.

Go through an entire day as if you were about to leave the job or the community. How would you act, what would you notice if you felt that you would never be here again?

Go through a day imagining the questions a 12-year-old might ask about your way of responding to the common situations that come up.

Spend a day alone, with no fixed program.

Examine new byways. Take a new route even if it's only on the way to work.

Take a trip back to your old home town and search out remembered landmarks.

Imagine that you and one of your subordinates have switched roles. How would he act?

By changing your point of view for a day, you can often open your eyes and see yourself and your behavior in a new light.

#### 4. Cross-characterization.

John Masefield wrote:  
"And there were three men  
Went down the road as down the  
road went he:  
The man they saw, the man he was,  
the man he wanted to be."

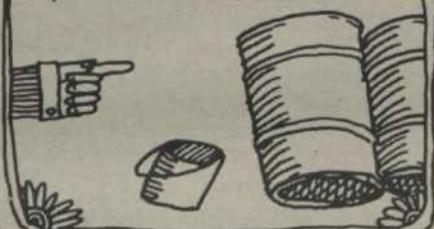
To unify all three and make them one person is among the chief targets of life. But to achieve it, you must first reconcile the person others see with the person you are. See quiz on page 41.

In appraising your answers to the quiz accompanying this article there should be a basic personality core emerging about which you and others agree. If there's too great a difference in the profile that emerges from column to column, then you'd better sit down and try to decide which one comes closest to the truth. Are you looking at yourself through tinted glasses? You may be better than others think, or you may not be revealing the same face to different people, or you may be misunderstanding what they think of you. The real challenge is

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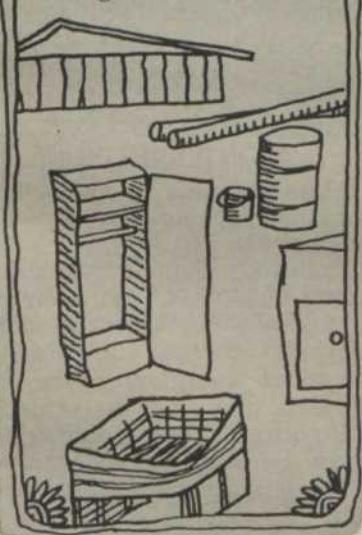


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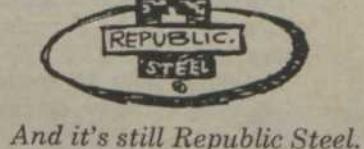
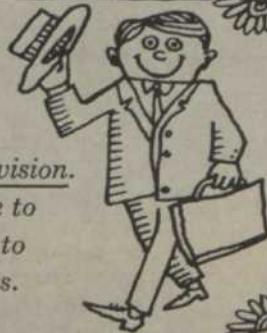


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## YOU CAN LEARN

continued

in your willingness to weigh the answers and try to distill the truth from them. Why would someone else think you are timid, or courageous, or persuasive? Why should your friends think one thing, your superior another, when you possibly disagree with both? Perhaps you will never come up with a final answer, but the effort will teach you many things about yourself, helping you to reach the man you want to be.

### Charting the future

Recognizing the difficulties, it might be helpful in summary to highlight some guides to help you accept your strengths and modify your weaknesses.

1. Avoid using self-study for self-punishment. As an executive you have many positive traits which helped you arrive at your present position.
2. Remember to resist discouragement. Dr. Karen Horney, psychoanalyst, in her book on self-analysis, points out: "Self-analysis is a strenuous, slow process, bound to be painful and upsetting at times and requiring all available constructive energies."
3. Expect small changes which occur slowly. Don't try to change yourself completely. Remember no one destroys a house because there may be a few leaks. Here are certain areas that executives consider targets for change:

Learning to disagree without being offensive.

Learning to stop needling.

Learning how to draw people out.

Learning to be forceful without being domineering.

Learning how to avoid passing your own anxiety on to subordinates.

Learning how to be less impulsive.

4. Recognize why you want to change. If people tell you that you don't listen then you must see clearly why better listening will bring you information that others may have been withholding. However, if others accuse you of being too aggressive you might still decide that drive is an essential aspect of your personality and a key to success.

5. Decide on the proper balance. The basic question, according to Dr. Richard Wallin, industrial psychologist, is "What could I do to retain the advantages while giving

up the disadvantages?" If we unconsciously alienate people in order to keep them from making demands upon us, could we prevent the demands without alienating the people?

6. Most important, differentiate the long-range personal goals from the short-range ones. Joe Crail, president of Coast Federal Bank of Los Angeles, outlines short-range goals as follows:

Learning a little more about my job, making small improvements in performance, analyzing current security and methods for improvements.

These areas are immediate and 75 per cent capable of achievement. The long-range goals are vague and indefinite, like lots of money, prestige, becoming president, retirement, freedom from demands.

The problem for most people lies in the fact that people dream of making changes to achieve long-range goals which water down the energy to make oneself a little better tomorrow.

Finally, recognize that there are flaws in all of us which we must accept with simple resignation. One sage observes that there are only three ways to change a man, "religious conversion, psychotherapy and brain surgery." Self-study may do nothing more than help you to decide which traits can't be changed.

END

### TO INTERPRET QUIZ

Here are some guides for understanding your answers to the quiz on page 41.

Self-study should uncover a balanced picture, not too many negative characteristics. The number of traits checked indicates your personal complexity—the more checked, the more elaborate your self-portrait. There should be agreement on some basic personality characteristics, but there should also be some differences in your estimates and those of others. We play different roles, and people see us from different vantage points. It is appropriate that we show different faces under different circumstances. Real understanding comes when you are able to interpret why others see you differently.

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# WHERE FEDERAL SCHOOL SPENDING OVERLAPS

"I PROPOSE that we declare a national goal of full educational opportunity."

In these terms President Johnson describes his Administration's intention to expand greatly the involvement of the federal government in the education of the nation's youth.

Of course, no one can predict what specific proposals will wind up as law.

Debate over new proposals, however, tends to obscure the extent to which the government already is involved in education, often with a high degree of overlapping and duplication of programs administered by several federal agencies.

The President's special education message to Congress proposes federal activity in everything from preschool programs for rural and urban slum children to college fellowships.

While phrased largely in terms of the federal campaign against poverty, Mr. Johnson's package contains so many "aid" items as to be the closest thing yet to general subsidy for education.

In dollar terms, his request amounts to \$4.1 billion, including more than a billion dollars to finance programs enacted in the past two years by the Eighty-eighth Congress. (Many members of the Eighty-ninth are newly elected liberals with a strong commitment to federal spending of this sort.)

Critics point out that the President's entire program, if enacted, would lead to further duplication. For example, as the accompanying chart shows, there are strikingly similar training programs now available—to combat some sort of economic distress, to be sure—under the expanded vocational education program, the Manpower Development and Training Act, the Trade Expansion Act, the Area Redevelopment Act and the new poverty bill.

END

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Teaching of handicapped and economically deprived



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## ULTIMATE WEAPON IN WAR ON POVERTY

continued from page 37

est since childhood. Carl is at something of a loss to explain exactly why he quit school. Dropping out had become a kind of natural process for youngsters like him in that area of the Bronx which sprawls block after block north of New York City's Harlem.

This pattern may have been the cause, he thinks; or perhaps it was a combination of things including a passing love affair that took his mind off school work.

When he left school he looked for work. There was the job as stock clerk in a department store. But he lost that when the Christmas buying rush ended. Then he looked for other jobs. But they didn't come easily.

In fact, few came at all. His drop-out record disqualified him with many potential employers, even at a service station or a car-wash, where he counted on his knowledge of automobiles to get him on a payroll. The answer was always, "Sorry, we've already got all the boys we need."

Job-searching itself became more difficult, for without a source of income Carl had to depend on the subway fares and lunch money that his mother could scrimp from her earnings as a spotter in a dry cleaning plant. In time, even this ran out, "and then I can remember the bad feeling of walking those streets with no money at all in my pocket."

### Role of the Success Center

A friend one day told Carl about a plan that might help him land a job. It was called the Success Center, an experimental program of the Urban League of New York. The Center, headquartered in the basement of the Urban League's building in Harlem, had been launched with private and state financing in August, 1962. Its purpose: to provide pre-job training, counseling and other services to school drop-outs.

Carl was interviewed and tested by a battery of specialists. The tests confirmed his mechanical aptitude. Center director Emanuel Romero, a 35-year-old social worker, recalls: "Carl showed up well in his tests and, most important, he evidenced the initiative to seek help in getting preparation for employment. We insist on initiative."

Once he was admitted to the Center, Carl went through a 12-week

program that encompassed everything from remedial reading to good personal grooming as an asset in landing a job. Afternoon study was supplemented by work assignments.

For students of the Center these might involve custodial work at a neighborhood church or similar work in a YMCA. Carl was assigned as a counselor in a city recreation center, an experience which he feels helped him immeasurably in learning to "get along with people, old and young."

"We pay the students a stipend of \$12 a week and train them 20 hours a week," Mr. Romero explains. "Since we are trying to encourage a sense of personal responsibility we actually 'fine' the youngsters or deduct from their small weekly salary if they fail to come to classes after their work assignments."

Carl did well. Where some youngsters have had to be rerun through the 12-week training program, he completed it satisfactorily the first time around.

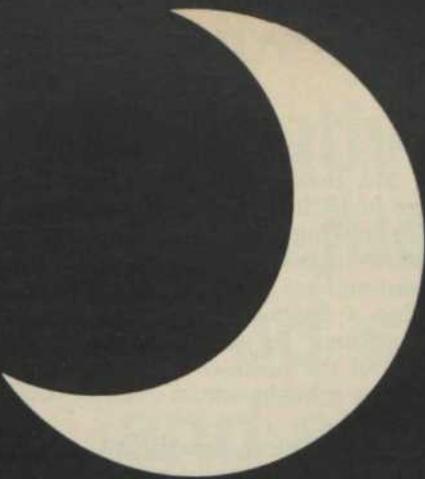
From Harlem's Success Center Carl moved to a job with SMS Auto Parts and Service, a busy automobile repair shop on Laconia Avenue in the Bronx. The owner, Frank Mastandrea, was impressed by the boy's eagerness to learn and hired him as an apprentice auto mechanic. Carl has worked steadily at the shop for more than two years, earning \$50 a week. After four years he will complete his apprenticeship and will be ready for regular employment as a mechanic. That will mean initial earnings of \$2 an hour or more.

Mr. Mastandrea says Carl has progressed so well that he is now helping another trainee learn the ropes. "In a few years," he adds, "Carl could be a very capable instructor. There are so many boys like this, boys who just need to have their confidence developed."

Military service may interrupt Carl's work at SMS, but he hopes an Army assignment might enable him to build on his ever growing knowledge of engines, mechanical assembly and the operation of tachometers, volt and ampere meters and other automotive equipment.

### Puts spare time to good use

In his free time, when he's not earning extra money, Carl usually



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has his nose in an auto manual. "Our place is full of them," he says, chuckling. By "our place" he means the second-floor project apartment into which the family moved after bleak years on Third Avenue.

Another goal in his life is to complete his high school education. He plans to do that by obtaining an equivalency diploma through night school courses.

Mr. Romero of the Success Center feels that Carl might well have the makings of a successful service station operator. But Carl has a wait-and-see attitude on that. "Running a business some day sounds tempting," he admits, "but when I see all the headaches that my boss has as a businessman—well, I don't know."

The modest apartment where Carl and his family now reside is

not far from the tenement house in which they lived less than 10 years ago.

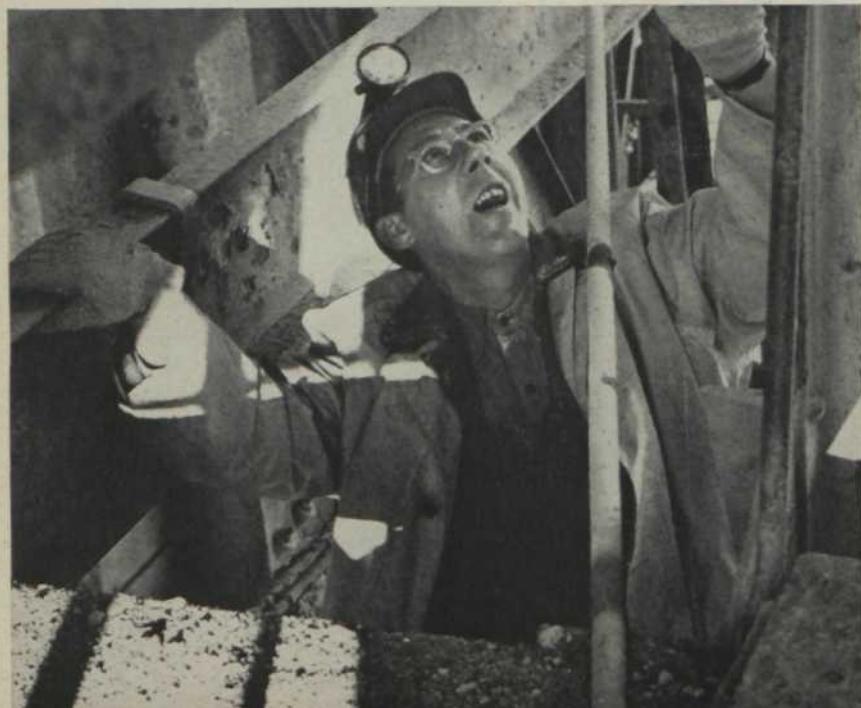
Nor was it long ago that Carl James was just another jobless young Negro walking the pavements of Harlem and the Bronx. But, when you talk with him, you sense that a chasm separates the frustration and despair of his young years from the confidence and hope that fill him now.

### LAWRENCE PERSINGER:

*His father taught him long ago that a man has got to go where the work is.*



PHOTOS: JOSEPH HOLLY



Frustrated in his efforts to get a mining job in West Virginia, Lawrence Persinger moved to Butte, Montana, and a new life.

The Persingers like their new home, have made new friends. He works on the night shift for big Anaconda copper company.

"It's mining and that's what is important to me," says former West Virginian Persinger. In new job he runs mine elevator.



*Movies once were a luxury for Persingers. But his initiative in moving to a new job permits both recreation and saving now.*

LAST FEBRUARY, when Lawrence Persinger heard they were hiring miners in Beckley, W. Va., he hurried right over from his home in nearby Crab Orchard.

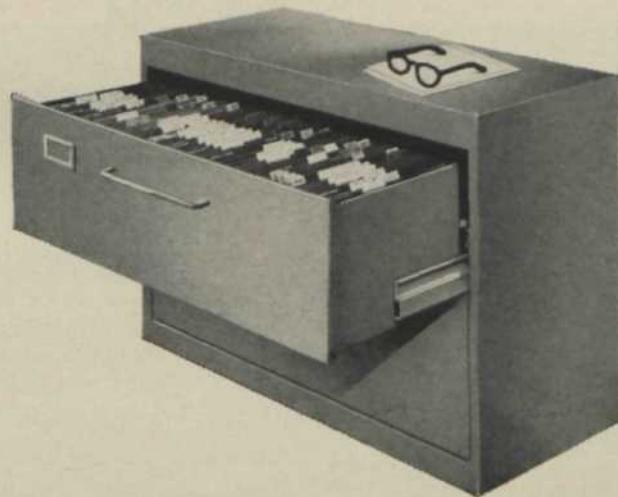
They were hiring miners at Beckley, all right, but not for work in West Virginia. Recruiters from the Anaconda Co., the giant copper mining concern, had set up shop in the unemployment office at Beckley. They were there to interview men willing to migrate from West Virginia to Butte, Mont., to work the company's deep-shaft diggings.

Lawrence Persinger learned this before he arrived in Beckley on that raw, late-winter day. The word got around fast. He knew that if he passed the mental and physical tests and took a job at Butte it would mean moving his family almost 2,000 miles, far away from relatives, friends and the haunting pull of West Virginia's wooded hills.

But he knew something else, too. He had not been able to find a job in West Virginia coal mining for more than 10 years; it seemed doubtful that he ever would.

The Anaconda offer came through. When it did Mr. Persinger went home to talk it over with his wife, Evelyn. She is an understanding woman; she had proved that by doing all she could to help her husband during the years he had struggled to keep his family together in the face of no jobs in the mines and only sporadic employment at other

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## ULTIMATE WEAPON

continued

trades for even the most energetic job-seeker.

The Persingers had had it rough. The government draws the so-called "poverty" line at \$3,000 yearly income. There were times in the 1950's when Lawrence and Evelyn Persinger would have considered that a handsome sum.

Evelyn certainly had pitched in, getting a cook's job at a Beckley drive-in. Lawrence had worked off and on as a truck driver and TV antenna rigger, and had even gone to the District of Columbia at one point to take a construction job.

Once, when temporary work just wasn't to be found, the Persingers had to draw a relief check. This was a painful experience for proud people.

"I believe in a man making his own way if he possibly can," Mr. Persinger explains. "I have always figured that you should have initiative and use it. I was glad when I was able to get off relief."

### Began mining at 17

Love of mining was deep in his being. It had been his father's work, and it was a way of life for almost everybody in the area of West Virginia where Mr. Persinger was born 43 years ago. He had started in the mines when he was 17, had gone back to them not long after his discharge from the Army in 1946. But late in the '40's the mines were going on reduced shifts because of mechanization or closing down altogether. It was in 1949, while he was working as a loader in a mine at Slab Fork, that Lawrence Persinger got his layoff notice. He lacked enough union seniority to save his job. He didn't know it then, but it was the end of coal mining for him and the beginning of a long struggle.

Against this background, the Persingers decided to take the Butte job. Mr. Persinger's father, now retired and in his 80's, may have played a part in the decision. He had often told his son, "You've got to go where the work is."

Mr. Persinger sold his old car to get the money he needed for a bus ticket to Butte. He started to work there on March 10 and three weeks later, helped by a loan from Anaconda, he sent bus fare money to Mrs. Persinger and their three boys, Lawrence, Jr., 14, Garry, 13, and Timmy Joe, who is 10.

The travel loan has been repaid

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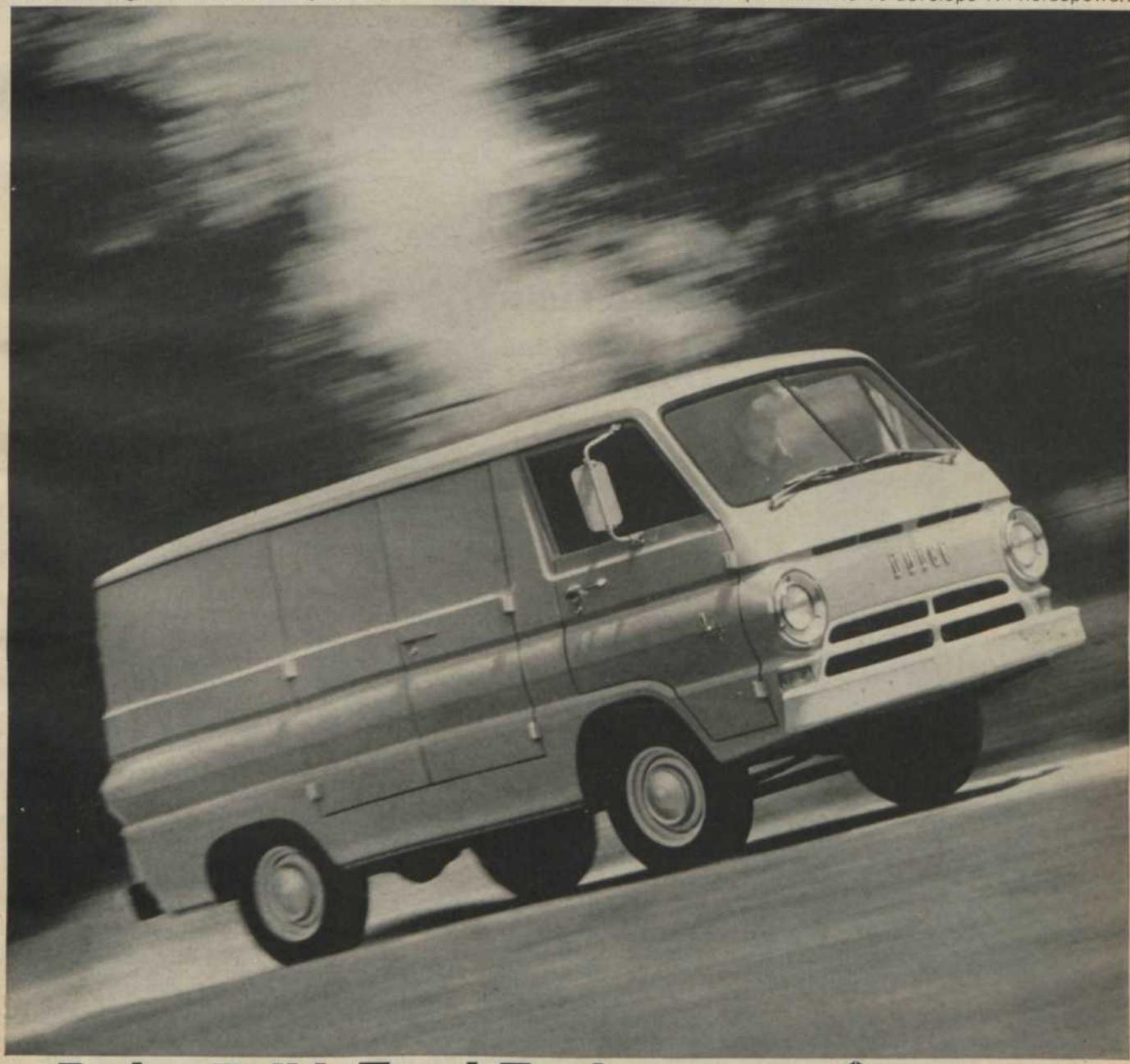


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and the Persingers now are settled in a comfortable, two-bedroom apartment in Butte. It is not far from the local civic center where President Lyndon B. Johnson made a campaign appearance shortly before last November's election. That occasion was a special thrill for the Persinger boys because they were able to get "real close to the President."

### **Transition has been smooth**

Lawrence and Evelyn like their new surroundings. He makes \$113 a week as the night-shift operator of a "cage" that services a multi-level Anaconda mine reaching almost 4,000 feet into the earth. Deep work is something new to a man who was accustomed to shallower slope-mining in West Virginia. But he hasn't found the new work too difficult.

"Mining is something you never

forget," Mr. Persinger tells NATION'S BUSINESS. "Oh, it's a little different here, but it's mining and that's what's important to me. That and knowing that now I have real job security for my family. In the last 10 years or so back home I was real lucky if I averaged \$40 a week."

Mrs. Persinger is working, too, as a nurse's aide in a Butte hospital. Their combined incomes have helped the Persingers to begin enjoying many of the things in life that were beyond reach in Crab Orchard. They have another car, are able to save a little each month, and Mr. Persinger has had a chance to do some weekend fishing with his boys. He's planning to become active in local youth work. "I think I'll join a couple of lodges, too," he adds.

When interviewed by NATION'S BUSINESS, Mr. Persinger expressed his conviction that family men who

find it difficult, or impossible, to ply their skill in their home area must go where the jobs are.

"Some people get to feeling so down, so hopeless about getting a job at what they'd like to do that they quit looking," he says in serious tones. "If I could find a job in mining, others can do the same thing. Maybe my story will help give some other people the courage to do what we did."

To this the Anaconda Co. adds a hearty amen. The company has already recruited more than 400 miners from West Virginia, Kentucky, Alabama and other states, and its recruiting teams are still on the move.

Self-reliance is still on the move, too. It will be as long as there are Lawrence Persingers in America—people who refuse to give up and who, when opportunity presents itself, go forward to meet it.

## **CHRISTOPHER COLUMBUS LUSBY:**

*"There are plenty of jobs around for people if they'd just open their eyes."*



CHRISTOPHER COLUMBUS LUSBY has ventured out of his home state of Maryland only twice in his 42 years. Yet the enterprising spirit his name implies burns brightly within him.

He is successfully engaged in a one-man crusade to lift himself and his family out of the tight world of poverty.

Until recently, poverty was the only world the Lusby family had known for as far back as anyone could remember. Generations of Lusbys had worked as tenants on tobacco farms near Upper Marlboro, Md. Mr. Lusby, the second youngest of 13 children, was reared in a six-room frame house on a 13-acre farm.

He tells a NATION'S BUSINESS editor of his days in a one-room schoolhouse:

"Each pupil brought food from home. One would bring a hunk of beef, another some black-eyed peas. We would toss them together in a soup and heat it on the iron stove in the middle of the schoolroom. It

was the best meal of the day for many of the kids."

Mr. Lusby's schooling lasted only seven years. As his sisters and brothers married and moved away, he was needed more and more to help with the tobacco.

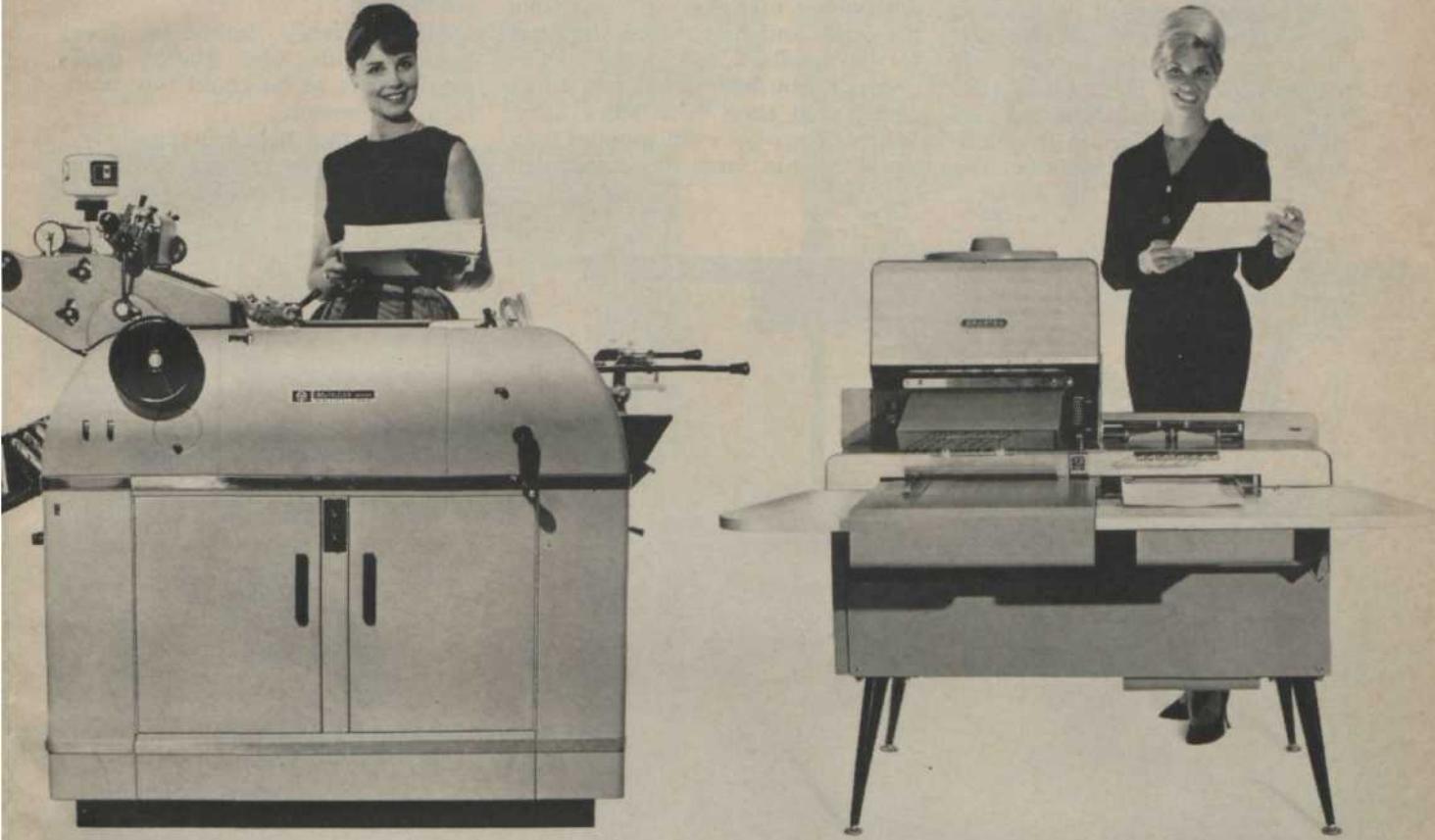
Tobacco farming was a year-round job for the Lusbys. From February to September there were seeds to sow and nurture, ground to plow and disk, planting, cultivating, hoeing and cutting. Fall and winter and rainy days throughout the rest of the year were devoted to "stripping," the tedious sorting and bundling of tobacco leaves. When enough leaves were stripped, they were hauled to auction. The Lusby family would get half of the money, the landlord the rest.

In 1945 Mr. Lusby's father died. The next year his mother died. Mr. Lusby, then 24, had to run the farm alone.

He proved to be a good farmer—and an ambitious one.

"I would be plowing with my horse, but my thoughts would be on

*"I'd rather make money than watch TV," reasons tobacco farmer Lusby*



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## THE ULTIMATE WEAPON IN WAR ON POVERTY *continued*

the tractors they were using down the road," Mr. Lusby recalls. "I kept telling myself that if I'd only work that soil hard enough I'd be driving a tractor myself some day."

No matter how hard he worked, however, there were years when the soil simply would not respond well enough. Finally, Mr. Lusby decided to move off the farm and rent another plot five miles up the road.

"Landlords are choosy about the

folks they rent to," he says, with a knowing smile. "A lot of people want to become tenant farmers just to get a place to live. But I don't have trouble renting. Folks know I always try to make all I can from the land—and that means the most for the landlord, too."

Mr. Lusby has moved four times since, each time to a better farm. When things got even tougher than usual on his farm, he would cut

wood, haul junk, work as a dollar-a-day hired hand, raise cattle for others, dig ditches, grow and sell tomatoes, do hauling jobs with his truck or whatever other work he could find.

His diligence impressed local bank officials who gladly made small loans so he could buy more farm equipment.

"I never took help from anybody," Mr. Lusby says, "unless you count

PHOTOS: FRED WARD-BLACK STAR



*Christopher Columbus Lusby spends three hours a day at the helm of a school bus. But he's behind a tractor wheel during most daylight hours. At night he tunes up buses. This sort of energetic initiative has brought the Lusbys a new house in the suburbs and understandable pride in their accomplishments*





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## ULTIMATE WEAPON

continued

the borrowing I've done. The one thing to remember about borrowing is that you shouldn't do it and then throw the money away.

"Always borrow when you need something important, like new tires for the tractor. But don't over-borrow your crops—I mean, don't borrow more than you expect to get back that year."

Only once—in 1946—did he apply for a loan from the government. He got \$1,500 from the Farmers Home Administration as down payment on his tractor and some equipment.

"I'll never fool with the government again," Mr. Lusby declares. "They tie up your house, your furniture, your crops, everything you've got. You can't sell and you can't change any of your plans until the government gets paid off."

One year he spent \$2,000 more on hired hands than he got back from his crops. Even in the best years, Mr. Lusby has never cleared more than \$2,000 a year from his farm.

### Shuns relief

He could have applied for relief; others all around him were doing just that. But there is something about welfare programs that doesn't set well with Mr. Lusby.

"It's okay for the disabled," he says. "But too many people on relief don't need to be. They can work, but they're too lazy. I know a fellow with one leg who works as hard as anyone could on a farm. He could get relief, but he's like me—against it on principle."

"There are plenty of jobs around if a person will just open his eyes and do a little thinking."

Mr. Lusby's wife Mary thinks many families could get along much better if they knew more about how to buy food and how to cook it.

"You see people at the store on Saturday buying canned goods and other expensive items," she says. "By Sunday they've eaten it all."

"All they know is how to open cans and boil potatoes. They should learn to make foods last—how to make scrapple or soups from leftovers. Even in our worst years, we've always had plenty to eat."

Some years ago, Mr. Lusby landed a three-hour-a-day job driving a school bus. It brings him \$1,850 a year. His wife got a job, too, as a substitute driver at \$7.50 for any day a regular driver can't make it to work.

"Driving the school bus gave me

a chance to see how bad off some kids really are," Mr. Lusby says, looking down at his thin, strong hands. "The shabbiest kids usually have parents who don't have pride in themselves—drinkers who depend on handouts for everything. It made me mad, and I decided I wasn't ever going to let that happen to my family."

More recently, Mr. Lusby got still another job, this one as a night mechanic in a bus depot at \$108 a week. It was more money than he'd ever had before. Still he hangs on to his tobacco farm.

"Everyone says farming nowadays is more trouble than it's worth, but I'm basically a farmer," Mr. Lusby explains. "And a farmer lives and hopes."

### Buying own home

Mr. Lusby regrets that he could not finish school. He makes it a point to read newspapers and magazines every chance he gets.

"He's naturally good at figures," Mrs. Lusby boasts, "and he's read enough so nobody's going to trick him where money's concerned."

The Lusbys negotiated the biggest money deal of their lives last September when they became owners of a new \$13,950 bungalow. It is four miles from his latest farm, a 23-acre plot which he has sublet to his hired man.

This is the first time either Mr. or Mrs. Lusby has lived anywhere but on a tobacco farm—and the first time they have been their own landlords.

A bright new mailbox along the dirt road in front of their home proclaims in big letters: "C. C. Lusby."

Of course the Lusbys are buying the house on time—at \$125 a month

—but no one doubts that some day they will own it outright.

The Lusbys' income this year if the tobacco crop is good should be about \$8,500.

A typical day for Mr. Lusby starts about 6:30 a.m. He helps get the three girls, Mary Ann, 12, Christine, 7, and Linda, 5, ready for school. At 7:30 he goes off to pick up the school bus. Two hours later he comes back for a short nap. Then he and Mrs. Lusby drive out to the farm in their pickup truck to help with the tobacco.

Often Mr. Lusby is seen on his tractor in white shirt and tie, required for his school bus job.

In the afternoon, he's back behind the wheel of his bus for another hour and a half. At 4:30 p.m. he reports to his mechanic's job which lasts until 1 a.m. Then it's home again and finally to bed.

Too much work?

"No, I'd rather be making money than watching TV," Mr. Lusby answers. "After all, Sundays are for resting. Once we did try working on Sundays. But we would always mess up somehow the next day and jinx the rest of the week."

So now the Lusbys take it easy on Sundays. One weekend last December they even took a trip—clear to neighboring Delaware to visit relatives. It was the first time Mr. Lusby had crossed Maryland's borders in more than 20 years. The only other time, he went to Georgia for a week to work on a friend's farm.

"We're planning to do a lot more traveling from now on," says Christopher Columbus Lusby. "You know, there's a lot to see and do in this world if you just go after it."

END

## WE'RE WASTING BILLIONS

continued from page 43

1949, is based largely on trends of the 1950's.

But now a different trend has set in. Basic changes in city growth and development patterns are occurring and even greater change is coming in the 1970's.

Facts show that the amount of land used by cities expanded by 75 per cent between 1950 and 1960. The expansion between 1960 and 1970 will amount to only 45 per cent.

The reasons for the declining growth rate are simple, though not widely known. In the first decade of this 30-year span, cities grew mostly because people wanted more

space per person. More than 60 per cent of the increase in land use was due to this greater use per person. But now the increase in land use will cause only about 40 per cent growth during this decade and less than 15 per cent in the 1970's.

The decline in the relative importance of the single-family house and the growing importance of apartment construction in the suburbs is one of the factors reversing the trend.

Another is that the rate of population growth in urban areas is declining. The growth of urban areas a decade ago was due in part to the migration from the farm. Now

## WASTING BILLIONS

continued

the number of young farm people able to move to cities is declining. In fact, movement from urban areas just about balances migration from farm to city.

The new shape of urban areas, in which people live and work in spread-out fashion, is more efficient in satisfying family desires than the old congested form in which people once lived. Home design and plenty of space provide more pleasant communities.

The new cities are more efficient also in that they require less transportation per capita. The place of work is closer as commerce and industry follow the people. Newer plants, more pleasant to work in, are being located near the new living areas.

So the argument that federal subsidies are required to redevelop mass transit systems because of the need to conserve space is not valid—and never was.

Our vast networks of urban highways can handle future city growth. As families with steadily rising standards of living move where land is more abundant, business and industry follow. Though this is not exactly a new movement, the rate is mounting steadily. Cities are becoming far more dispersed than anyone dreamed they would only a few years ago.

In the past, employees have had to go where the work was. With employment and trade concentrated downtown, people have had to commute in congested and in some cases outmoded transportation systems with much time wasted.

Now that is changing. With commerce and employment following families to the suburbs, new highways will make it practical for families to reach suburban shopping and employment centers quickly.

### Open space expands

More land each year is being transferred from farm use to woodland use than is being occupied by cities.

In fact, the amount of land being shifted to trees is increasing twice as fast as the land taken over for urban purposes.

Even in the so-called megalopolis regions—such as is envisioned one day as a vast continuing urban strip stretching from Boston to Norfolk—48 per cent of the land in fully urbanized areas is woodland.

Not only that, but the concept of

megalopolis is not developing as once forecast.

To gauge the dimension of future change, look at U. S. Department of Agriculture figures. This agency says that roughly 50 million acres now have been withdrawn from farm use. By 1980 the government would like to see another 40 million acres out of production.

This means that, only 15 years from now, some 90 million acres will have been subtracted from farm use—and made available for other purposes. Soaring farm productivity makes this possible.

The annual reduction in farmland provides more than four times as much land as cities are using. Urban land use is growing only about 1.2 million acres per year.

Still another force which fuels the

growing opposition to urban renewal subsidies is the extremely high price taxpayers must pay to accomplish so little.

Urban areas throughout the U. S. currently occupy roughly 50,000 square miles. Federal urban renewal affects only one tenth of one per cent of this area.

By the end of the decade, it is expected to affect possibly 135 square miles. This still would be less than one quarter of one per cent of the total urban area. By 1970, the total amount of land affected by urban renewal will equal approximately 7.5 per cent of but a single year's growth of our cities.

The cost to public and private investors combined may exceed \$15 billion—or about \$100 million per square mile.

END

## SUBSIDY ON THE RISE

continued from page 43

ond public housing project to occupy the remainder.

Unlike Arlington, the city of Rockville on the Maryland outskirts of the rapidly growing Washington, D. C. area intends to rebuild its central business district under the federal program. Federal tax money will pay about three fourths of the estimated net cost of \$2.8 million.

### Disillusionment in Ocean City

One small city that found the federal urban renewal program no blessing is Ocean City, N. J. After long worry over plans for an urban renewal project in his city, Mayor Thomas Waldman reached this conclusion:

"I think the federal government is wonderful, but its money should not be spent here. It would be spent foolishly. The proposed project would ruin our city's economy."

Mayor Waldman and the two commissioners who comprise Ocean City's elected officers have been in a running battle with regional officials of the Urban Renewal Administration. The city administration wants a program of selective rehabilitation for a 30-acre section of the downtown area. Federal officials have rejected this approach in favor of a plan calling for demolition and major redevelopment.

"You can't judge areas block by block. You must do it building by building," Mayor Waldman says. "You can't raze all the structures just because the majority of them are substandard."

"For one thing, a small city can't

afford to lose that much taxable property at a single time. I've seen redevelopment take years in other communities, and the bills the city has to pay keep coming in.

"If we clear the area there will be no place for the businessman in it to relocate while waiting for new buildings to go up. Many of them are likely to move to other cities and be lost to our economy."

In 1962 Ocean City received Urban Renewal Administration approval for the planning phase of its proposed project and more than \$1 million was earmarked for the federal share of the cost. A local renewal agency was set up and hired a Philadelphia firm to make the necessary studies and plans.

The planners conducted a survey and drew up a plan for extensive redevelopment of the project area. The plan was presented to Mayor Waldman and the commissioners for their approval early in 1964.

Believing that the best solution lay in structure-by-structure rehabilitation rather than demolition, the mayor and commissioners withheld approval. They asked that rehabilitation be emphasized. This is when disillusionment began to set in.

Despite the request to place more emphasis on rehabilitation, the Urban Renewal Administration's regional director in Philadelphia maintained that such an approach was economically unfeasible because of an "unusually high degree of substandardness and structural deficiencies as well as critical environmental deficiencies."

Lengthy correspondence and sev-



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## SUBSIDY ON RISE

continued

eral meetings failed to produce any plan mutually agreeable to Mayor Waldman and his commissioners and Urban Renewal Administration officials. The mayor tells NATION'S BUSINESS:

"I feel like little David taking on Goliath. In a town our size, the red

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tape alone is likely to bankrupt us—we can't afford a staff to work on all these things. If we were a larger community, the city administration could assign a man to Indian wrestle with these people. As it is, we've got to do it and try to run the city at the same time.

"As the people's elected officers, we feel that we know our community firsthand—much better than someone sitting behind a desk in Philadelphia. You can't just make a survey, take out the rule book and draw up a plan that takes all of a small community's problems into account."

Describing the tone of his dealings with URA regional officials, he comments: "I would expect such treatment from my political opponents but not from officials of a federal agency that is supposed to be cooperating with a local community for its own good."

Ocean City's difficulties with the federal urban renewal program have attracted the attention of several of the state's lawmakers. New Jersey's Rep. William B. Widnall, ranking Republican on the House Banking and Currency Committee, which handles housing legislation, says:

"The possibility that the Urban Renewal Administration may not only be interfering with local decision-making responsibilities, but may be ignoring the intent of Congress as well, is highly disturbing. The Housing Act of 1964 contains a provision, which I authored, which prohibits a clearance project unless the federal agency finds that a rehabilitation approach cannot be used instead."

Representative Widnall adds: "When urban renewal emphasizes local initiative and industry, this must be more than lip service. We cannot have the program dictated by bureaucrats in Washington, New York or Philadelphia and find that the wishes of the local community are overridden."

#### Private renewal in Rosslyn

In contrast to communities which have gone to the federal government for financial aid, Arlington County, Va., chose to renew part of its rundown area with private money. In 1958, in fact, county voters defeated a proposal for federal urban renewal.

Before its current rebirth, the Rosslyn district of Arlington County was littered with pawnshops, large oil tank farms and open areas for storage of gravel and construction equipment.

This fast-growing area is only five minutes from downtown Washington. "An alert business community looked at Rosslyn and saw the potential for using this urban land at a profit," says Roye L. Lowry, former chairman of the Arlington County Board. "A forward-looking local government saw the potential for redeveloping Rosslyn into an office and apartment complex which would provide an increased tax base for decades to come."

The local zoning ordinance was modified to permit high-rise, high-density construction. Authority to approve site plans was given to the county government, allowing overall control over development.

Six large office buildings are already completed, six additional high-rise structures are under construction and eight more are planned. County officials estimate that the redevelopment, when completed, will bring in about \$2.6 million yearly in taxes compared with the former revenue of \$160,000.

Though Arlington's proximity to the nation's capital provides a solid economic potential, businessmen who are key figures in the Rosslyn redevelopment do not feel that their situation was uniquely promising. James H. Berkey, president of the Atlantic States Construction Corp. and the Arlington Light Steel Corp., says:

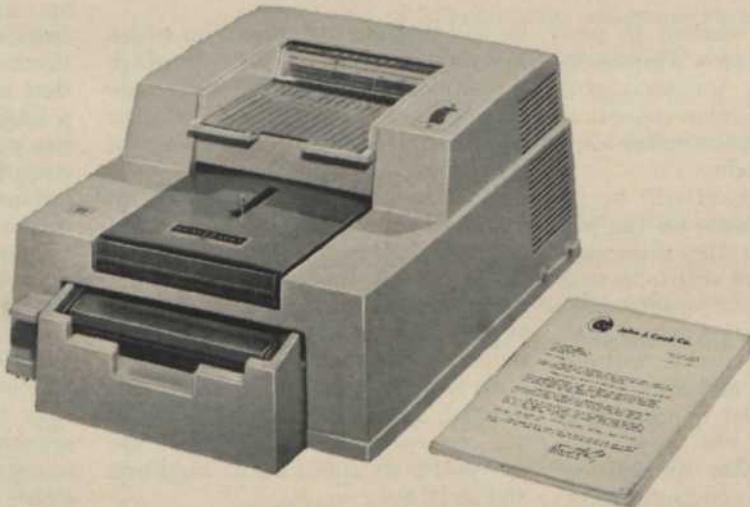
"There are many other places in the country where private renewal is economically feasible. Federal bulldozing at high prices is just not the answer to urban renewal. All you have to do is look at the weed patches in federal projects in Washington itself to see how that program works."

Offering the practical assessment of a businessman on the over-all issue of revitalizing cities, Mr. Berkey says: "The whole federal urban renewal system seems to create frustration, confusion and a multiplicity of agencies that have a finger in decision-making. You get long periods when property remains off the tax rolls and frequently find a complete inability to develop the cleared land on an economically feasible basis."

"In Arlington, private and public forces have set up a pattern that is worthy of study in every area where urban renewal is contemplated or necessary."

"The Rosslyn experience demonstrates how much better and quicker renewal can be accomplished when initiated by businessmen rather than government, even in the shadow of the Capitol." END

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# TOMORROW'S EXECUTIVE: NEW DIMENSIONS YOU'LL NEED

Experts describe the qualities that will help you tap the full potential of yourself and your people

NO ONE HAS the wisdom to predict everything tomorrow's businessmen will face. But for successful management the human equation will probably be even more important than it is today.

The freedom to excel will be as necessary to individuals on the job as to businesses in the economy. Four work conditions will help you enlarge the potential of your people. And four characteristics common to successful chief executives will be needed by future managers.

The business leader of tomorrow will need to invest not only company money but also himself as an individual in the communities of which he is a part. He should enunciate, live and teach the basic values on which our society—as well as business—is built. In this way

he will provide the climate in which free men can live—a climate in which a competitive business enterprise will continue to plow back into the community a significant portion of its profits.

Business will be, as it is today, indisputably dependent on the society of which it is a part. But we sometimes act as if government could closely control our social life while, at the same time, fostering a free industrial economy. Free enterprise is dependent on free men. Restricted mobility, controlled thinking and managed social orders are the paths to conformity, lassitude and sterility.

Freedom to compete is not a one-way street. If a manager wants freedom, he must breed freedom. He must recognize also that those who are managed also want freedom. They want the freedom to be, to belong, to become.

People who are simply told, who must obey, have little incentive. They seldom become involved in a company's problems or its objectives. They have lost their interest in responsibility. They make only safe decisions, often limited to "Yes, sir." They become masters at second-guessing. They get little done but their record is clean. They avoid new ideas to avoid criticism.

Yet, new ideas and adventurous decision-making are the essentials of

free enterprise. If the manager thinks of his central function as that of coordinating people around a task, they quickly conclude that the company is interested only in what it can get out of them.

The individual's needs for growth, initiative, self-reliance and self-actualization become submerged in a mass of performance data purporting to tell the manager how he is doing.

Is it surprising that people who "let others do the thinking" find it easy to accept this concept in all segments of their lives—in the community, at the polls and in the state? Why should they vote for freedom of any kind when they have so little of it on the job where they spend most of their energy? Free enterprise is permanently wed to personal enterprise. If we desire one we must cultivate both.

If the manager believes that he should be as strong as possible and that his subordinates should be as compliant as possible, he has set the stage for power over incompetence. When subordinates realize that their leader expects compliance (when what they had hoped for was initiative), their drive is blunted and their productivity thwarted. Under wraps goes any stimulus for growth in personal competence necessary to meet new challenges and ever increasing responsibility. Such sub-

THIS ARTICLE is adapted from a chapter in the book, "Managers for Tomorrow," to be published next month by The New American Library of World Literature, Inc., copyright © 1965 by Rohrer, Hibler & Replogle. The book was written by a team of industrial psychologists from the consulting firm of Rohrer, Hibler & Replogle, which has been dealing with problems of personal relations in industry for more than two decades. Charles D. Flory, general partner in the firm's New York office, was the book's general editor.



## PORTRAIT OF TOMORROW'S COMPANY PRESIDENT

HOW WILL a rapidly changing world affect the corporate president of the future? Will his functions change? What personal qualities will be most important to him?

Authors of the forthcoming book, "Managers for Tomorrow," draw this sketch:

The president must acquire the behavioral insights and leadership skills needed to make more productive use of all kinds of specialists. He will keep abreast of the broad picture, share his observations with his specialists and keep them focused on major objectives.

The chief executive will have to get more done in less time. He will do this by becoming less involved in the operational end of his company and more concerned with the human dimensions of corporate effort. He will try to become aware of the conditions necessary for men to do outstanding work and to specialize in the skills needed to bring these conditions into being.

The president will assume a broader obligation in using his status and authority. He is already accepting broader obligations to his community, state and industry. Too frequently in the past he has been reluctant to become involved in partisan issues involving basic principles in which he believes. He is now finding he can no longer afford this position.

It is also becoming clearer to him that the future of the ideology and practices of our free-enterprise system lies in his hands. As president of a successful company, he is an authority on free enterprise. He must therefore become more articulate and speak out to a wider audience than company employees. With his heritage of free enterprise, he has an obligation to preserve its best features by teaching them to the next generation.

In general, the president of tomorrow will be a person with higher potential who can develop faster than did his predecessors. He will need to be confident and flexible, a person who can adapt to changing tides with relative ease. In addition to the basic human values, he will have to be able to develop a set of "tentatives" to guide his day-to-day decisions, rather than rely on a fixed set of tenets.

ordinates give only what is demanded—nothing more.

### Your larger duty

Inescapably, the manager of tomorrow will be required to assume, along with his responsibility for running a business, greater obligations for a way of life. In matters dealing with personal and business ethics, economic and political integrity, business and public concerns, he can no longer avoid letting his subordinates know what he believes is right. He has the obligation to clarify his own thoughts before he attempts to influence others. When the leadership is uncertain the structure wobbles.

Further, there can be no dynamic progress without a sense of shared values and common purposes between a company's management and its employees. Shared values are the rivets that hold our social structure together.

Look briefly at what one company president is doing to share and preserve the basic concepts and values of our free-enterprise system:

He became president of a company his father had spent a lifetime building. As he came to know the thinking and attitudes of his management group, he became alarmed that these men did not really understand the implications of the economic trends, business practices and political climate in which their company was having to conduct its business.

The new president began to probe the thinking of his people to verify his suspicions. When he asked their opinions, many freely admitted that they had no firm convictions. Some indicated they had not given those things a thought. It was apparent that his key people were in reality woefully ignorant about our system of free enterprise.

To remedy this situation, he rented a secluded guest ranch 80 miles from the city for a weekend. He obtained the services of two experts in the free-enterprise field to serve as a faculty nucleus in developing a basic frame of reference. He talked up his project for several weeks to develop an interest among his people.

When the time came, every key

## NEW DIMENSIONS

continued

man was on hand. They spent the weekend listening to informative talks and holding provocative discussions. When it was over nearly everyone was impressed by what he had learned. Everyone realized also that his education was not complete.

Since then, the company has provided a second weekend school for members of the management group. And their reaction indicates that they are waking up, both inside and outside the company. The project will continue.

This is what can happen to a group of men under the leadership of a concerned president. They are discovering that they, as individuals, must do something to perpetuate and improve the way of life they enjoy and have taken for granted.

Industrial growth results not primarily from increased capital but from technological improvements brought about by significantly improved men. Thus, the fundamental task of managers in the future will be the same as it is now—to provide for the development of the company's human resources.

This central task carries an unusual obligation because of one practice that is becoming widespread in industry. Top management positions are more frequently being filled by men with technical training and experience.

On the surface, this practice makes sense because of the value of technical knowledge in making business judgments. But a deeper look reveals a potential source of trouble. For as a group, men with highly technical backgrounds know a great deal about things, but may know little about people.

When they manage, they tend to rely upon their scientific methodology buttressed by policies and procedures. They are likely to assume that the human factors will fall into place as they move toward their objectives.

The effectiveness of any group results inevitably from the quality of the relationship between the leader and the led. We may be heading toward serious managerial ineffectiveness if leaders lean too heavily upon their specialized technology.

### Our basic needs

Managers in the future will need a much greater understanding of human behavior in order to provide the type of leadership demanded to achieve the goals of both the busi-

ness enterprise and the people who comprise it. Men work most productively when the pattern of organized human relations satisfies reasonably well some of the more basic needs of employees. Our experience indicates that four basic human needs are often ignored in superior-subordinate relationships:

1. Work that has meaning. Every human being has a need to engage in meaningful, productive activity. He is often expected by his superiors to be productive without being provided with any purpose or meaning. The need to know about the end result of his effort is met when he feels that he has some voice in what he does.

2. Respect that is mutual. For two or more people to work together productively, there should be shared interest, mutual confidence and trust. A person feels worth while when he experiences an acceptance

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Today's executives won't want to miss tips on dealing with current administrative problems. See "Executive Trends," page 14.

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of himself and when he feels secure enough to express a differing point of view without fear of reprisal. Trust is highly important to productive joint effort because solving problems produces friction, tension and sometimes conflict.

3. Communication that "levels." For working relationships to be truly productive, human beings need to be open to each other and about each other. People need and want to reduce the factors that separate them. They prefer to express freely their actual thoughts, feelings and attitudes. Often feelings are withheld in business communications, especially negative personal feelings, for fear of rejection or retaliation. Where people level with each other, they are able to listen, to recognize and to understand each other's needs.

4. Learning that is continuous. Every person has a deep need to learn something that develops his potential. He is always in process of becoming; he is never static. To

be otherwise is to stagnate. A person needs to be challenged by opportunities to develop, to gain knowledge and skills, to be involved and committed.

These four basic human needs—meaningful work, mutual respect, honest communication, continuous learning—are the forces that stimulate men to improve in personal competence and meet the future with confidence. When these needs are suppressed, human resources dry up; men become only a fraction of what they could be.

Meeting these needs determines the pattern of leadership required to achieve the goals of business. Skill in developing human competence requires as much insight as skill in developing technical competence. Improved management stems only from improved men.

The executive of the future, in addition to understanding the individual, will be required to understand organization as a process of relations between humans, as well as a means for achieving a corporate goal. He will be expected to understand how to maintain conditions under which men work most productively.

Since knowledge is becoming vast and complex, multiplying year by year, no one man can know all he needs to know about any field. This requires more collaborative effort and teamwork. To lead this kind of human activity, executives will have to become practical behavioral scientists, rather than merely human-relations exponents.

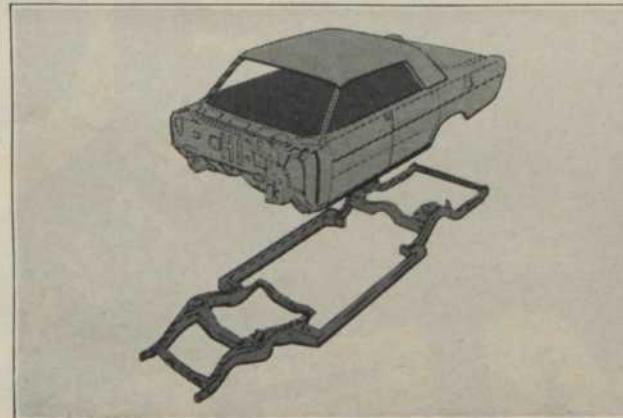
Management means developing men. As in the past, the quality of human performance is the key to the future in a competitive enterprise. Profits will depend upon human alertness to opportunities and problems, the efficient use of human capabilities, the keen assessment of risks and the willingness to take them. Profits will depend increasingly upon the human factors of a business.

Competition, both at home and abroad, is expected by every alert manager to increase in severity. Increased competition will put a premium on those human attributes that build success into a business: imagination, skill in communication and effective leadership.

The manager of tomorrow in exercising leadership will be acutely aware of the relations between people. He will tap both individual and group resources. He will set an example by striving for excellence in all things that matter. He will arrange conditions that release hid-



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## NEW DIMENSIONS

*continued*

den potential, since tapping undeveloped resources offers his main hope for success.

We are certain of one thing in life—change. And change calls for innovation. The willingness to innovate has been the taproot of free enterprise. As business conditions change, perhaps drastically, companies must rely upon human inquiry and perception for innovation. These changes in behavior will require flexibility of thinking as well as an acute awareness of the objectives sought. Changes affecting business may well be so dynamic and continuous that managers will have to rely upon the processes of problem-solving instead of rigid habit patterns that often have been their guide.

Today's shortage of forward-looking managers may well increase. A high premium will be on the manager who develops and uses human resources in management. The manager who demonstrates that he can assess, develop and use the abilities of people with a minimum of waste will be in great demand.

Corporate management will face increased psychological problems in many administrative areas. Managing the processes of innovation and the human reactions resulting from them will require increased insight to reduce the time to introduce desirable change. Making sound decisions involving great risk will place managers under increased intellectual and emotional strain. Managers for tomorrow will be required to develop new insights to cope constructively with conflict.

For example, a rethinking of labor-management negotiations may reduce conflict by getting both sides off the hook of a win-lose approach. Developing business statesmanship adequate to cope successfully with government encroachment and control will require levels of thinking and patterns of behavior not yet applied by some top managements.

There will be increased psychological stress arising from organizational growth in size and complexity. More mergers will provide considerable threat to the employees involved. The use of more complex technological equipment will require better trained men. Larger corporate organizations will create more complex lines of communication, thereby increasing the importance of effective communication.

The individual employee will

tend to feel smaller, less important, more isolated from the mainstream of company life. Keeping such an employee stimulated to high-quality productivity will require an insight into human behavior and the sources of work satisfaction that management heretofore has not generally demonstrated.

In the past, management has been concerned with how people could be organized, controlled and directed to achieve high production, rather than how to release human potential to achieve high production.

Probably the basic concept that runs through all these problems, and others like them, is that of change for the better. It is a relatively simple act to force change by management edict; it is relatively complex to obtain human acceptance and support for innovation.

Management in general has insufficient understanding of the process of change since innovation usually amounts to changes in human behavior. These changes do not come about easily even when human behavior is taken into consideration in planning for change. Behavioral science has much to contribute to management at this point.

Those presidents who succeed in leading their companies into real growth in the changing world will be characterized by the spirit of having fun while grappling with a tremendous challenge. Like many of today's chief executives, they will have these other characteristics:

1. They will exhibit the forcefulness of persons who have well integrated, powerful convictions. They will have an anchor point that keeps them stable, even calm, in the midst of stress and storm. They have an inner compass that points the way. They will recognize the difference between wheat and chaff.
2. They will have a humility that is eloquent. This deep core of strength derived from being able to search out reality and to face it leads their people to believe in them and follow them with trust and confidence. They will be men who face truth and facts and use these as a standard for their action.
3. They will possess the security of resourcefulness. They won't become overwhelmed by what the future may bring. They will have a built-in competence. While they may not have an answer to a problem at a given moment, it will not occur to them that one will not be forthcoming. They will specialize in asking good questions of their

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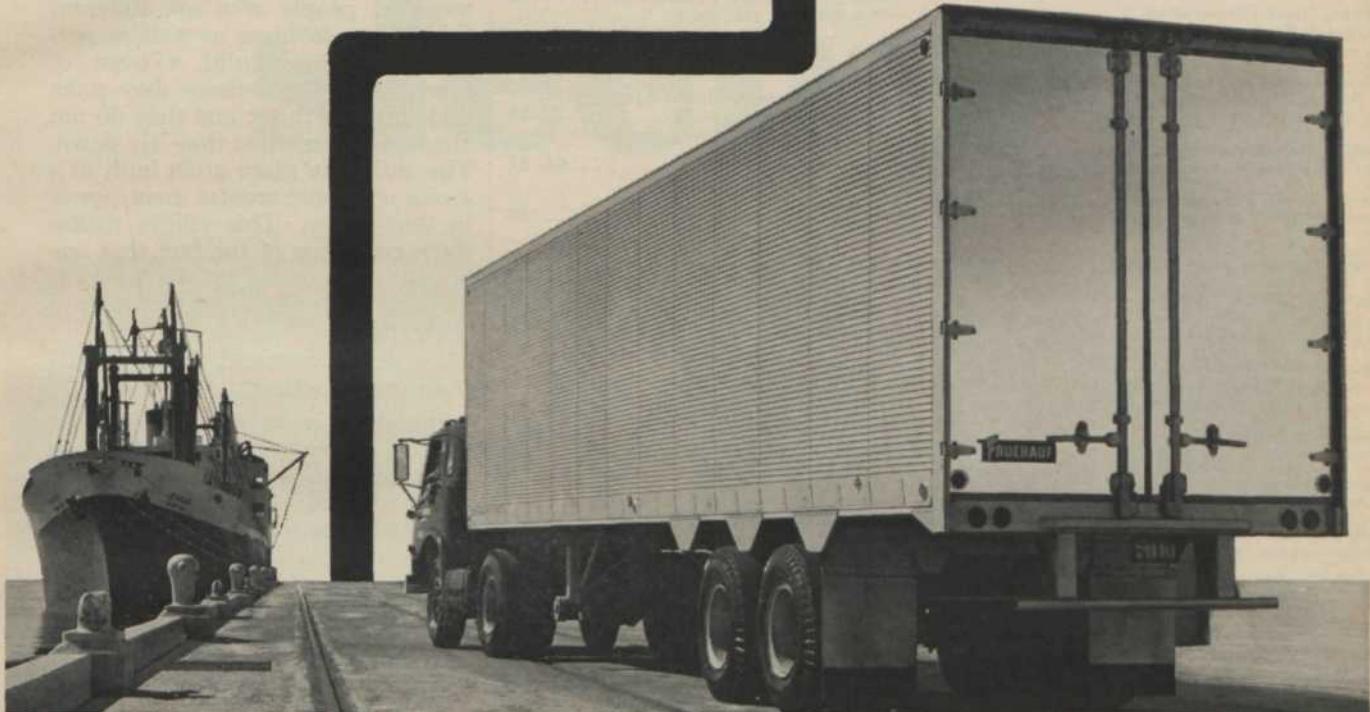
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## NEW DIMENSIONS

*continued*

management team rather than becoming preoccupied with giving good answers. They will be flexible and adapt themselves to the bumps in the road.

4. They will possess the power of a great faith in people. These men trust other people in spite of occasional disappointments. They have an understanding and acceptance of people who are different from them, in ideas as well as personality. They build a team of powerful leaders because they stake their faith in them, and they do not abandon them when they are down. The ability to place great faith in a group of people creates great power in that group. This ability makes them conscious of the fact that one of the greatest satisfactions is working with the right group in a joint effort.

So we recommend these convictions and practices:

► Invest a great amount of your time in a few good men. There is great wisdom in this practice. In order to make things happen, you have to bet heavily on a few people. Live and think with them.

► Invite these few good people with you on a rugged adventure. Dream with them. Build a vision with them. Let them see how tough this adventure is going to be. Help them understand that the journey may get a lot rougher before it gets better.

► Weld this small group of good men into a strong team. Integrate them around difficult, firm, clear-cut goals. Help each person find his place of greatest contribution. The way of the delegator is selfless. Derive your satisfaction from choosing, coaching and delegating.

► Challenge them to master difficult situations. Focus on the things that make each man reach for something that exceeds his grasp.

► Require intellectual honesty. Begin with yourself; practice it along with your top team. Settle for nothing else from your group. Permit no one, including yourself, to become involved in duplicity. To win, men must face reality as it is, not as they wish to be—and they must face it on a sound ethical basis.

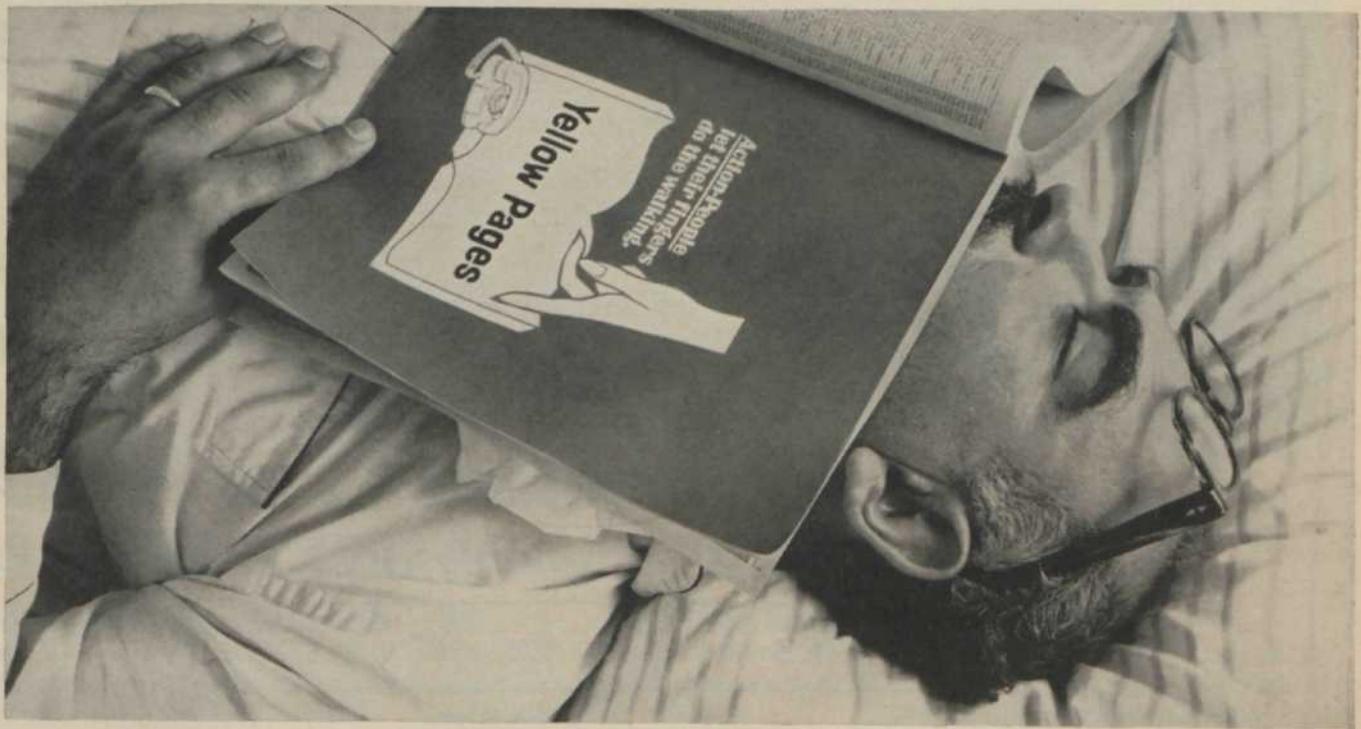
These, then, are the convictions and practices out of which winners are forged. We recommend them to you as you face the challenge of the future.

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